

Purchasing Policies and Procedures

ISO New England Inc.

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1. Purpose:

- 1.1 To establish guidelines to be followed when committing the funds of ISO New England Inc. (ISO-NE) to any Vendor or Contractor, which includes the placing and handling of Purchase Orders, drafting of Requests for Proposals, Requests for Quotes, and Contracts.

2. General Procedure:

- 2.1 The Purchasing Department is responsible for all purchasing decisions relating to materials, services and/or equipment of ISO-NE. The Purchasing Department will minimize costs of purchased goods and services where possible, while maximizing the quality of Purchased Materials and Services and minimizing the potential for extended down time due to delivery or availability. There is no agency for purchase within any ISO dept. other than Purchasing, except for Emergency Purchasing Procedures (Section 7), and Small Dollar Orders for goods and services under \$ 1,000

3. Requesters Procedure:

- 3.1 The Requester (ISO-NE Employee) will manually generate a requisition (See Exhibit A) with all information needed to procure materials, services and/or equipment. Requester must fill in all required fields of the requisition. Requester is responsible for acquiring all necessary approvals (see section 16). All approved requisitions will be forwarded to the Purchasing Department for processing.

4. Administrative Procedure:

- 4.1 The Purchasing Department is responsible for preparing Purchase Orders, Requests for Proposals, Requests for Quotes, and Contracts. This responsibility includes promptly mailing, faxing, or electronic transmission of the Purchase Order and maintaining appropriate Purchase Order files to include copies of the following (as required):
- Purchase Requisitions,
 - Purchase Orders,
 - Request for Proposals,
 - Quotes if required,
 - Fax, or other hard copies of electronically received confirmations,
 - Change notices.
- 4.2 Original Purchase Order Requisitions will be filed with a copy of the Purchase Order by Purchasing for use in the Receiving and Payables process.
- 4.3 The Purchasing Department is responsible for maintaining files with copies of all Service, Maintenance and Equipment Contracts.

5. Purchase Order Procedure:

5.1 A Purchase Order will be required for all purchases. Pre-numbered, manual Small Dollar Purchase Orders will be used for purchases of tangible goods valued \$ 1000.00. and under. These SDO's will be distributed to, and controlled by, each cost center manager, or their designee. Purchases of Goods or Services valued at more than \$ 1000.00 will require an ISO New England Purchase Order.

A. Purchase Order Exceptions

No purchase order will be required on the following charges:

- Taxes
- Phone Bills
- Utility Bills
- Check Requests
- Catering Vendors
- BOD Fees & Expenses
- UPS
- Fed Ex
- Temporary Employment Services
- NEPOOL Bills
- Office Supplies (Staples or WB Mason)
- Poland Springs

5.2 The Purchasing Department reviews a Purchase Requisition for completeness and accuracy to ensure that it includes account information, detailed scope of work and deliverables. If additional information is required the Purchasing Department will contact the Requester to obtain all appropriate information.

6. Competitive Quote Procedure:

6.1 Competitive quotes will be required as follows:

- A. Estimated cost over \$25,000.00, requires (3) three quotes;
- B. Estimated cost up to \$ 25,000.00 can be purchased without (3) three quotes.
- C. Purchases of more than \$ 25,000 from documented Original Equipment Manufacturers (OEM) can be processed without competitive quotes following the PO requisition process. This must be verified by the Purchasing Manager on the Requisition, and kept on file with the Purchase Order

- 6.1.2 6.1.1 On purchases over \$25,000.00, if competitive quotes are not obtained, a Sole Source Requisition Form detailing why alternative quotes were not deemed necessary will be prepared by requester (ISO-NE Employee) or Approving Manager and forwarded with the requisition to the Purchasing Department in accordance with 6.2.2 below (Forms will be filed with the Purchase Order). CFO and CEO must approve this Sole Source document prior to the Purchase Order being issued. In the absence of the CEO, the CFO may approve a Sole Source Award.
- 6.1.3 All Purchase Orders awarded without competitive quotes over \$25,000.00 must be approved by the Chief Executive Officer. In the absence of the CEO, the CFO may approve a Sole Source Award.
- 6.1.4 Emergency Purchase Orders, if over \$ 25,000 including service contracts, should be competitively quoted within a six-month period.
- 6.1.4 Copies of quotes received will be filed with the Purchase Order.
- 6.1.5 Purchase Orders are generated using the Lawson Purchasing Module.
- 6.1.6 Printed Purchase Orders are signed by the Purchasing Manager in accordance with the Purchase Order Authorization List (Section 16) and are distributed as follows:
- Vendor copy – Mailed or Faxed to the vendor.
NOTE: In emergency situations the original copy will be faxed as confirmation to the vendor.
 - Purchasing Copy - Filed in Purchasing Department.
 - Requester Copy – Forwarded to the Requester.

7. Emergency Purchase Orders:

- 7.1 For EMERGENCY PURCHASE ORDERS ONLY verbal approval by the Facility Manager, or authorized Cost Center Manager is required. Upon verbal approval, the Purchase Order can be faxed or the Purchase Order number can verbally be issued to the vendor. An approved hard copy of the Purchase Order will then be mailed or faxed to the vendor. All efforts should be made to minimize the use of "EMERGENCY PURCHASE ORDERS".

8. Blanket Purchase Order:

8.1 Blanket Purchase Orders are subject to the same guidelines detailed in sections 5 and 6. After a preferred vendor has been selected and approved by Purchasing, through Lawson Purchasing Module, Blanket Order Creation/Update Process, Purchasing inputs the appropriate data and creates a Blanket Purchase Order. The system will electronically track expenditures against Blanket Orders to ensure that dollar limits and date ranges are not exceeded. Each release against the Blanket Order must be acknowledged in writing by the vendor to Purchasing prior to ship date.

8.1.1 Prior to issuing a release against a Blanket Purchase Order, Requester must obtain the appropriate signatures in compliance with Section 16.

9. Request for Proposal (RFP):

9.1 RFP is used for the purchasing of Consultant Services, Capital Equipment, Facility Renovations and Construction. The Purchasing Department will generate RFP's. The Purchasing Department will meet with the employee(s) to determine the following:

A) Complete scope of work, which may include, but is not limited to, the following:

- estimated commencement date,
- estimated termination date,
- specify who will be the project manager (ISO-NE or Consultant),
- specify if project progression meetings will be scheduled to ensure time lines and project goals are being met,
- if meetings are to be held, create an estimated schedule of meetings,
- estimated number of staff required to accomplish service,
- detailed explanation of services to be rendered,
- specify any special training, classifications and or tools required to accomplish the desired service.
- payment terms,
- key personnel.

B) Complete list of desired deliverables which may include, but is not limited to, the following:

- reports, procedures or finished product,
- recommended changes to audited practices or procedures,
- programming upgrades,
- installation of New Equipment.

- C) Establish a qualified vendor list including a minimum of 1 Minority Based Enterprise (MBE) vendor per RFP wherever possible.

10. Request for Quote (RFQ):

10.1 RFQ is used for the purchasing of “off the shelf” items with limited technology impact. The Purchasing Department will generate RFQ’s. The Purchasing Department will meet with the employee(s) to determine the following:

A) Complete list of equipment or materials, which may include, but is not limited to, the following:

- estimated delivery date,
- quantity required,
- specify any special packaging requirements,
- specify shipping terms,
- specify payment terms.

B) Establish a qualified vendor list including a minimum of 1 Minority Based Enterprise (MBE) vendor per RFP wherever possible.

11. Quote Analysis / Vendor Selection:

11.1 Purchasing with requesting department support, if applicable, is responsible for analyzing the quotes and to select or recommend vendor of choice. Upon receipt and analysis of all quotes for completeness, a summary sheet will be prepared noting all pertinent information and discrepancies.

12. Contracts:

12.1 The Purchasing Department, using the information from the responses of the RFP and specifications from the employee(s), will produce contracts. All completed contracts will be forwarded to the Legal Department for approval.

12.2

Any changes to the terms and conditions of an existing Contract must be made on an ISO-NE Contract Amendment Form, processed by the Purchasing Department and using the Amendment Template approved by the ISO-NE Legal Department.

- 12.2.1 All contracts must be signed by the Chief Financial Officer or the Chief Executive Officer. The Chief Operating Officer may sign contracts provided they are budgeted and not Sole Source Awards.
- 12.5 Prior to a contractor commencing work on site, the following documentation must be provided to the Purchasing Department:
- Signed Contract or Authorized Purchase Order
 - Copy of contractors Certificate of Insurance if required.
 - Background Check if required.
- 12.6 Included in all vendor contracts will be the following statement:
- A) The ISO-NE reserves the right to perform a background check on the vendor, if the ISO-NE feels there is a security concern.
- 12.7 All vendors must sign a statement that no collusion or fraud occurred in the award of the Contract. This language is included in ISO-NE's Consulting Services Agreement.
- 12.8 Vendors awarded contracts to be paid under Time and Materials must submit time sheets with an accounting of hours worked by employee, original invoices for materials, or meals and expenses greater than \$ 10.00, and corresponding activities performed with the invoice.
- 12.9 The Purchasing Department will prepare a list of the top 15 vendors that currently have an active contract with ISO-NE. The list will be prepared annually and forwarded to the Chief Financial Officer for discussion at the next scheduled Board Audit and Finance Committee meeting. The list will include the following information:
- Vendor Name,
 - Commencement Date,
 - Termination Date,
 - Contract Amount,
 - Type of Work Being Performed, and
 - A statement indicating whether the services were subject to a competitive quote.

13. Blanket Contracts:

- 13.1 Blanket Contracts will follow the same guidelines as described in section 12 above.

- 13.2 Blanket Contracts can be used when a project is to be completed over a period of time in different phases. The Blanket Contract can be used for tracking the project to ensure timelines, costs, goals and objectives are being met.

14. Purchase Order Correction Procedure:

- 14.1 Corrections and amendments to Purchase Orders will be performed by the Purchasing Department who makes the adjustment in the accounting system and on the Purchase Order. The proper signatures are then obtained following the normal Purchase Order Procedure. Purchase Order Change Requisitions will be subject to the same management approval levels for transactions within their respective areas of responsibility and approved budgets according to the dollar limits defined in section 16.1 of this document. PO Changes to Purchase Orders exceeding \$ 1,000,000 may be approved by the CFO if within 20% of the Original PO Total.

15. Vendor Qualification/Evaluation Procedure:

- 15.1 A list of acceptable, quality vendors is maintained by the Purchasing Department within the accounting system. Potential Vendors will be pre-qualified and processed for addition to the system by the Purchasing Department. Once a year, the vendor database will be printed and reviewed by the Purchasing Department to identify any unacceptable vendors. Vendors may be evaluated at the conclusion of each contract, or when a Purchase Order has been completed. Purchasing will distribute Vendor Evaluation Forms (EXHIBIT A attached), to the ISO-NE Cost Center Manager or his or her designee at the completion of a project/contract, or on the contract termination date. The Cost Center Manager will be responsible for completing the Vendor Evaluation Form and returning it to Purchasing. Evaluation Criteria will include but not be limited to such factors as cost effectiveness, accurate and timely deliveries, quality of goods received, quality of service, compliance to contract terms, product support, problem solving etc Vendors will be rated on a 2-6 point scale for each category with 2 being “unacceptable” and 6 being “exceptional”. The Purchasing Department has responsibility for gathering all pertinent data to be used in vendor evaluation, organizing vendor reviews and evaluating vendor performance and decisions of vendor acceptability.
- 15.2 Vendors must rate a minimum score of: 4, “acceptable”. Vendors rating 3 shall be placed on a 90 days probation status. The vendor will be required to submit an action plan to address these issues. They will be re-evaluated after 90 days and must achieve a minimum rating of 4 to remain active.
- 15.3 Vendors rated “2” unacceptable will have their status changed to inactive in the Lawson Financial Database immediately. All Active Vendors will have their overall rating score posted to the Lawson system’s Vendor Database AP10.1. If the Purchasing Manager

determines a vendor is unacceptable for any reason between vendor reviews, that vendor will be considered inactive effective immediately.

- 15.4** If a Sole Source Award Vendor is rated as “2” unacceptable a copy of the Vendor Evaluation Form will go to the vendor. A new Sole Source Requisition must be processed and approved by the CFO and CEO, and the vendor must submit an action plan to be filed with the Sole Source Requisition. These Vendors will be on Probation until the Action Plan is completed.
- 15.5** If a Vendor’s Overall Rating Score is “4” acceptable, but a single category is determined to be unacceptable, a copy of the Vendor Evaluation Form will be sent to the vendor. Vendors will be required to file a vendor action plan within 30 days of the evaluation to address the issue identified in the category.
- 15.6** Only the CEO may override the termination of a vendor rated as “2” unacceptable.

16. Requisition Approval Authorization List:

16.1 Senior Management and Directors are authorized to approve transactions within their respective areas of responsibility and approved budgets according to the dollar limits defined below:

<u>Management Level</u>	<u>Dollar Limit</u>
➤ Chairman of the Audit & Finance Committee	No Limit**
➤ President and Chief Executive Officer	\$3,000,000
➤ Chief Financial Officer	\$1,000,000
➤ Chief Operating Officer	\$1,000,000
➤ Sr. Vice Presidents	\$500,000
➤ Vice Presidents	\$500,000
➤ Department Heads per Department Heads.xls document posted at ISO-NE Intranet Finance Site	\$100,000

** In the absence of an authorized signer, the Chief Executive Officer is authorized to approve transactions without dollar limit.

- 16.2 For expenditures in excess of approved budgets the following guidelines apply:
- The President and Chief Executive Officer and the Chief Financial Officer shall have joint authority to increase the annual budget by an aggregate of up to \$500,000;

- Increases in the annual budget in excess of \$500,000 but less than \$1,000,000 shall require the additional approval of the Chairman of the Audit and Finance Committee; and
- Increases in the annual budget of \$1,000,000 or more shall require the approval of the Audit and Finance Committee of the Board of Directors.

17. Purchase Order Signature Authorization:

- Purchase Orders to be signed by the Purchasing Manager.

18. Invoice Approval:

- The approval signature on the requisition serves as the invoice approval for PO's for tangible goods, and maintenance contracts.
- Invoices for tangible goods with a PO # will be forwarded to Accounts Payable for processing. Invoices for services will be forwarded to the appropriate department for authorization.

19. Receiving:

19.1 Packing Slips / Receivers shipped with goods must be verified for accuracy, signed and forwarded to the Purchasing Department for input in the accounting system.

- Packing Slips will be inspected by the receiving party compared against the requirements of the Purchase Order verifying accuracy, marked "received" and forwarded to the Purchasing Analyst for entry in to the Lawson Financial Software System PO30.1.
- All original Packing Slips and Receivers will be forwarded to Purchasing,
- Lawson Accounting system will generate a Numbered Receiving Report.
- Copies of the Receiving Report (PO131), Packing Slip and/or Receiver (PO130) will be filed with a copy of the Purchase Order and paid invoice in the Finance Department's Accounts Payable file.
- Employees shall indicate if there are any discrepancies with quality, quantity, or item number ordered.

- If incorrect or damaged goods are received, employees shall contact the Purchasing Department immediately. Purchasing will arrange for Return Authorization, and issue a request for corrective action with the Vendor.