

# **Purchasing Policies**

## **ISO New England Inc.**

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***Revision History:***

<b>Revision Date</b>	<b>Version Number</b>	<b>Reason/Comments</b>
07/13/2001	0	Initial approval of document per Robert C. Ludlow
1/14/2014	1	Section 6 Competitive Quote Procedure -Updated 6.3 RFP/RFQ's for Consulting Services Staff Augmentation.
9/1/2015	2	Section 11 Contracts -Updated 11.1 Exceptions: Purchasing manager will approve ISO-NE Templates without changes.
5/9/2016	3	Section 5- Updated 5.1 Purchase Orders
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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 Process:**

- 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 Process:**

- 3.1 The Requester (ISO-NE Employee) will generate a **Procurement Requisition Form** 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 Process:**

- 4.1 The Purchasing Department is responsible for preparing Purchase Orders, Requests for Proposals, Requests for Quotes, and Contracts. This responsibility includes promptly faxing, or electronic transmission of the Purchase Order and maintaining appropriate Purchase Order files to include copies of the following (as required):

- **Procurement** Requisition Form,
- Purchase Orders,
- Request for Proposals,
- Quotes if required,
- Fax, or other hard copies of electronically received confirmations,
- Change notices.

- 4.2 Original **Procurement** 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 Process:

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 or service valued \$ 1000.00 and under from U.S. Vendors only. 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, or any amount from Foreign Vendors, will require an ISO New England Purchase Order.

### A. Purchase Order Exceptions

No purchase order will be required on the following charges:

- Applicable Taxes, Regulatory Fees
- Phone Bills
- Utility Bills
- Catering Vendors
- BOD Fees & Expenses
- UPS
- Fed Ex
- Temporary Employment Services
- NEPOOL Bills
- Regulatory/Government related Legal Fees (FERC, NERC, etc)
- Office Supplies (Staples or WB Mason) \*\*
- HR Recruiting Fees\*
- Check Requests
- Check Requests for amounts over \$1,000 must be submitted with a completed **Procurement** Requisition Form to the Purchasing Department for approval through the normal process. Once the **procurement** requisition approval process is complete the check request will be forwarded to the Accounts Payable Department for processing. Check requests for less than \$1,000 may be submitted directly to Accounts Payable **with a Small Dollar Order (SDO)**.

\* Purchase Orders are processed by HR after the Candidate has accepted Employment Offer. Vendor is then authorized to invoice ISO New England, Inc. These services are not subject to the three bid process as each search is in itself competitive.

\*\* Purchasing Manager to review Authorized User List quarterly to maintain accuracy of “active” Users’ status. Facilities Department will process all Requisitions for Office Furniture and Equipment.

5.2 The Purchasing Department reviews a **Procurement** Requisition **Form** 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 Process:

6.1 Competitive quotes will be required as follows:

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

6.2 On purchases over \$25,000.00, if competitive quotes are not to be obtained, a Sole Source **Procurement Requisition Form** detailing why alternative quotes were not deemed necessary will be prepared by requester (ISO-NE Employee) or Approving Manager and forwarded to the Purchasing Department in accordance with 6.3 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 and Requisition.

6.3 RFP/RFQ's for Consulting Services Staff Augmentation may be referenced on a **Procurement** Requisition Form for a three-year renewal period. After three years they must be either processed as a Sole Source request or re-bid.

6.4 Copies of quotes received will be filed with the Purchase Order.

6.5 Purchase Orders are generated using the Lawson Purchasing Module.

6.6 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 – E-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 a verbal approval by the Facility Manager, or authorized Cost Center Manager is required. Upon verbal approval, the Purchase Order can be faxed, e-mailed, or the Purchase Order number can verbally be

issued to the vendor. An approved hard copy of the Purchase Order will then be faxed to the vendor. All efforts should be made to minimize the use of "EMERGENCY PURCHASE ORDERS".

**8. Request for Proposal (RFP):**

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

A) Purchasing to establish a qualified vendor list including a minimum of 1 Minority Based Enterprise (MBE) vendor per RFP wherever possible.

**9. Request for Quote (RFQ):**

9.1 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 details:

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

**10. Quote Analysis / Vendor Selection:**

10.1 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.

**11. Contracts:**

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

Exceptions include: Purchasing Manager will approve ISO-NE Templates without changes, Hotel Contracts, Click Type Agreements, Hardware Agreements, and Facilities Maintenance Agreements.

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

11.3 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.

- 11.4 Purchasing will review the status of Consultants working on-site at ISO-NE with the Chief Financial Officer, V.P. Human Resources, and Sr. Counsel twice per year.

**12. Contractors/Consultants:**

Prior to a contractor commencing work on site, the following documentation must be provided to the Purchasing Department:

- Signed Contract and/or Authorized Purchase Order
- Copy of contractor's Certificate of Insurance.
- Background Check and Drug Test if required.

- 12.6 A statement indicating no collusion or fraud occurred in the award of the Contract is included in ISO-NE's Consulting Services Agreement.

- 12.7 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.

- 12.8 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 May 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. "Umbrella" Contracts:**

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

- 13.2 "Umbrella" Contracts can be used when a project is to be completed over a period of time and might require multiple Scopes or Work, or multiple Purchase Orders. The "Umbrella" Contract allows for the Terms and Conditions to be approved for these multiple releases.



- 13.3 Project Managers or Cost Center Managers may sign individual Scopes of Work. The total cost of the Scope must not exceed the amount of the Purchase Order.

**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 Process. Purchase Order **Revision** Requisition **Forms** 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. **Revisions** to Purchase Orders exceeding \$ 1,000,000 require approval by the CEO or may be approved by the CFO if within 20% of the Original PO Total.

**15. Vendor Qualification/Evaluation Procedure:**

- 15.1 A list of **qualified** vendors is maintained by the **Accounts Payable** Department within the accounting system. Potential Vendors will be pre-qualified and processed for addition to the system by the **Cyber Security and Purchasing** Departments. Vendors that receive annual payments exceeding \$ 50,000 will be evaluated annually, Purchasing will distribute Vendor Evaluation **links**, to the ISO-NE Cost Center Manager or his or her designee annually. The Cost Center Manager will be responsible for completing the Vendor Evaluation and **processing it through the EtQ software system**. 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 rating less than 3.0 shall be placed on a 90-day 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 **less than a “2”** unacceptable will have their status changed to inactive in the Lawson Financial Database immediately. One Time Vendors are not required to be evaluated.  
All Active Vendors will have their overall rating score posted to the **EtQ database**. 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 will go to the vendor. A new **Procurement** Requisition **Form** must be processed and approved by the CFO and CEO, and the vendor must submit an action plan

to be filed with the **Procurement Requisition Form**. These Vendors will be on Probation until the Action Plan is completed.

15.5 Only the CEO or CFO may override the termination of a vendor rated as **less than “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. Purchasing Credit Card:**

- ISO-NE Purchasing Manager is issued an ISO New England Company Paid Credit Card to be used for paying for purchases that require Credit Card only payments such as on-line purchases, registrations, subscriptions and the like. All of these purchases must comply with ISO New England Purchasing Policy and require the processing of a **Procurement Requisition Form** prior to the placing of any order and processing any payment.
- The Credit Card Statement will be processed on a monthly basis through the ISO-NE Accounts Payable process and all appropriate documentation for each charge, (Receipt, Copy of **Procurement Requisition Form** etc), will be attached.