

CHAPTER 3:

BEGINNING THE PURCHASING PROCESS

Revised 4/20

3A) Specifications

The term "specifications" as used in this manual relates to the technical and descriptive requirements of a product and to its intended use or application. It does not encompass the terms, conditions or other contractual matters that must be set forth in an Invitation for Bid. Specifications describe what is required or desired and thus, what the successful bidder is to furnish. Specifications are the communication media between buyer and seller, and the basis on which bids are prepared. The extent of competition obtained for a bid is determined by the **nonrestrictive nature** of the specification. Specifications are used during the evaluation of bids to determine whether bids are responsive.

Characteristics of an Effective Specification:

- **SIMPLE:** Avoid unnecessary detail; be complete enough to ensure that requirements will satisfy their intended purpose.
- **CLEAR:** Use terminology that is understandable to the department and bidders. Use correct spelling and appropriate sentence structure to eliminate confusion. Avoid legalese type language and jargon whenever possible.
- **ACCURATE:** Use units of measure that is compatible with industry standards. All quantities and packing requirements shall be clearly identified.
- **COMPETITIVE:** Identify at least two commercially available brands, makes, or models (whenever possible) that will satisfy the intended purpose. Avoid unneeded "extras" that could reduce or eliminate competition and increase costs.
- **FLEXIBLE:** Avoid totally inflexible specifications, which prevent the acceptance of a bid that could offer greater performance for fewer dollars. Use approximate values such as dimensions, weight, speed, etc. (whenever possible) if they will satisfy the intended purpose. If approximate dimensions are used, it should be within a 10% rule of thumb unless otherwise stated in Invitation for Bid.

A bidder or contract participant may provide free technical assistance to a department. The City shall not accept a bid or award a contract to a vendor who received compensation from the City to participate in the preparation of the specifications or request for proposals on which the bid or contract is based. Be wary of skewed or biased information that favors one product over another due to a financial interest of the advisor.

Specifications are one of the most important elements of the purchasing process, and probably the most difficult. As a governmental agency, the City is generally restricted to specifying a function or a level of performance rather than a specific brand of commodity and the specification must satisfy the competitive bidding process.

Specifications will be prepared by the using department and forwarded in final form for approval to the Purchasing Department. **The Director of Purchasing has final approval and rewrite authority on all specifications.** Specification numbers will be assigned only by the purchasing department using letter(s) prefix (e.g., PD for Police Department) and a consecutive numbering system. The original copy of all specifications will be maintained by the Purchasing Department. **If a revision to an existing specification is required, simply indicate all changes on the previous specification (highlighted and bold) and forward it to the Purchasing Department who will then officially revise the specification. Please also indicate the person revising the specifications and the revision date.**

The Purchasing Department may at any time before or after a bid has been let, to call a Pre-Specification Meeting with the vendors and the using departments. This meeting will be used to determine if the Specifications are open and fair to all respondents and are using the newest components.

Before any department undertakes the task of preparing a specification, it is advisable to consult with the Purchasing Department to determine how complex a specification must be for the intended purchase.

3B) Freight

Freight is defined as: Free on Board or FOB – Point at which title passes.

- FOB Shipping Point – City pays freight*
- FOB Shipping – City pays freight*
- FOB Shipper – City pays freight*
- FOB Origin – City pays freight*

*City of Amarillo does not allow any of the above marked with *. Quotes with these terms will not be accepted.

- Drop Ship – Comes directly from manufacture. City does not pay freight.
- FOB – City does not pay freight
- FOB Destination – City does not pay freight
- FOB Dest. – City does not pay freight
- Freight Allowed – City does not pay freight

3C) **Commodity Coding**

We use the coding systems specified by the National Institute of Government Purchasing, (NIGP) because of its wide use by federal, state, and city governments and private industry. The coding system is also used in cataloging and referring to Wholesale Price Indexes, Labor Review, and manufacturers production increases, decreases and scheduling.

NIGP coding is used on specifications for commodities and services. Vendor catalogs, pamphlets, etc., are filed by NIGP number, as are bidder lists.

Your online requisition will require you to choose a commodity code from the available online selection. This code must accurately describe the item that you wish to purchase.

You may search in two ways:

- A. Go to NIGP.COM and using the key word search, find the correct code for the item that you wish to purchase. You will need your department username and password to access this site.
- B. When you get ready to enter your requisition, you can click on the commodity code block assist feature and do a key word search on the description 1 or description 2 field using *key word*. Remember these fields are case sensitive.

Use of a commodity code **other than one that accurately describes the item you are trying to purchase may be cause for rejection of the requisition.** Vendors may be excluded by using the wrong NIGP Number. If the requisition is rejected, it will be cancelled, and you will need to reenter with the correct code.

The Purchasing Department strongly recommends that you search for your item number in the web site before starting to enter your requisition. The NIGP code is entered the item number field on the J D Edwards requisition. If you get an error message when entering a 7- or 11-digit requisition in JDE please call the Purchasing Department immediately.

When entering a requisition, **do not type over** the NIGP descriptions. There are several reasons for this. First, the Purchasing Department runs a list of all requisitions that we use in our department that we sort by the NIGP descriptions. If you type over the NIGP descriptions, the Purchasing Department must go to the original NIGP list and get the original words in the description. Second, this is the Purchasing Department's way of checking that departments are using the correct NIGP code for what they are ordering.

All detailed description of the requested item with specifications should be typed in the line attachment.

Information on how to access NIGP is found on the City's Intranet page. Please click on the Departments tab; Purchasing tab; and JD Edwards Users Manual tab. This will bring up the instruction manual and you will need to reference Chapter 5 for instructions on NIGP.

3D) How to enter a Requisition

The Purchasing Department uses JD Edwards for all requisitions.

Information on how to access JD Edwards is found on the City's Intranet page under Departments then click on the Purchasing Tab then click on JDE User Manual for instructions – Chapter 6 – To Enter a Requisition.

Enter a line on the requisition for each line found on the quote.

3E) HIPPA – Business Associate Agreement

In order to comply with HIPAA laws where applicable, the City is required to establish a Business Associate Agreement (BAA) with any Business Associate who does not deliver health care services to clients, but completes a function or activity involving the use or disclosure of protected health information (PHI) or electronic protected health information (EPHI) on behalf of the City. This can be done as a part of the contract or after the contract has been negotiated.

Moving forward, we need to be sure this terminology is included in any purchasing documents for Business Associates that fall within the above definition. Some Business Associates that come to mind are the Copiers, Document Shredding and Auditors. There may very well be more I cannot think of now and of course each department may have individual contracts with vendors that fall under the Business Associate definition. A BAA was included in our recent contract for a new EMR with Patagonia Health and we have requested one on the Medical Waste bid.

Since it is federal law, there are of course some long definitions that may be helpful:

Protected health information means individually identifiable health information: (1) Except as provided in paragraph (2) of this definition, that is: (i) Transmitted by electronic media; (ii) Maintained in electronic media; or (iii) Transmitted or maintained in any other form or medium. (2) Protected health information excludes individually identifiable health information: (i) In education records covered by the Family Educational Rights and Privacy Act, as amended, 20 U.S.C. 1232g; (ii) In records described at 20 U.S.C. 1232g(a)(4)(B)(iv); (iii) In employment records held by a covered entity in its role as employer; and (iv) Regarding a person who has been deceased for more than 50 years.

Individually identifiable health information is information that is a subset of health information, including demographic information collected from an individual, and: (1) Is created or received by a health care provider, health plan, employer, or health care clearinghouse; and (2) Relates to the past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual; or the past, present, or future payment for the provision of health care to an individual; and (i) That identifies the individual; or (ii) With respect to which there is a reasonable basis to believe the information can be used to identify the individual.

A copy of the Business Associate Agreement can be found M:\Approved Forms\Purchasing.