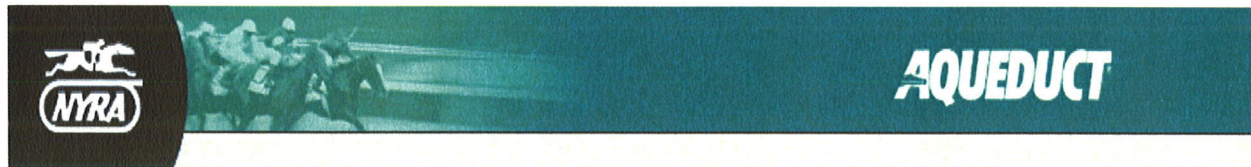


The New York Racing Association, Inc.

Purchasing

Policy and Procedures Manual



February 2009

Approved by the FOB February 10th, 2010

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The New York Racing Association, Inc. (NYRA) Purchasing Policy and Procedures

I. STATEMENT OF POLICY:

All policies and procedures stated herein are in accordance with The New York Racing Association, Inc.'s Code of Ethics.

As such, Company employees who are entrusted to purchase goods and services are expected to spend the Company's money in a prudent manner.

The Purchasing Department Staff (the "Staff") may be comprised of a Director of Contracting and Procurement, Director of Purchasing, Assistant Director of Purchasing, Purchasing Agent and a Buyer and other staff members as deemed appropriate.

II. DEFINITIONS:

Best Value: An award that optimizes quality, cost, and efficiency.

Bid Committee: A formal committee chosen to record the bid values and insure the integrity of the bid opening process which may include representatives from the Purchasing, Law, Finance, or Internal Audit Departments. Members of this committee may be present at formal bid openings. The selection of committee members is determined by the value of the bids (Section XII).

Contract: A written agreement outlining the terms and conditions of the work to be performed or the goods to be delivered and specifying the rights and obligations of the parties. .

Dollar Thresholds: The set dollar amount used to determine applicable processes. All dollar thresholds within this policy are to be calculated on an annual basis net of tax and freight.

Procurement Record: The procurement record is the accumulated documentation, relating to a purchase, by an authorized user. Documentation should include, but not necessarily be limited to justification for a single or sole source purchase, competitive methodology utilized and reasonableness of price.

Proposal: A formal response to a Request for Proposal in which the vendor offers a solution as required by the specifications.

Purchase Order: formal document committing NYRA funds for goods and/or services. A comprehensive contract may be incorporated into a Purchase Order for the purpose of detailing the scope of work or services to be provided.

Quotation: cost quote submitted via fax, e-mail or hard copy, in response to a procurement solicitation, which is analyzed by the Purchasing Department.

Responsive Bidder: A bidder whose offer meets the specifications or requirements prescribed in the bid or solicitation document.

Responsible Bidder: A bidder that is determined to have the financial ability to complete the contract, accountability, reliability, skill, sufficiency of capital resources, judgment, and integrity.

Sealed Bid: Bid which is submitted in a sealed envelope; date stamp received by either the Purchasing Department or the CFO's office; and subject to a formal bid opening.

III. THE PROCUREMENT AND AWARD PROCESS

The procurement and award process consists of the following sub-processes:

- A. Maintaining a Vendor Master File
- B. Determining the Purchasing Methodology (bidding thresholds)
- C. Procurement Methods
- D. Advertising
- E. Gathering Information Prior to Solicitation (vendor selection and RFI)
- F. Conducting a Competitive Procurement
- G. The Contracting Tool (Contract or Purchase Order)
- H. Vendor Responsibility Determination Process

A. MAINTAINING A VENDOR MASTER FILE

The Purchasing Department is responsible for creating and maintaining a Vendor Master File in the Puridium Purchasing System. An ID and password are required to access the Puridium System.

1. Receipt and Distribution of Documentation

a. W-9 Form (Accounts Payable):

- i. Upon receipt of a W-9 form, Purchasing Department staff will scan the W-9 and forward via email to the Manager of the Accounts Payable Department who will assign a vendor code;
- ii. The vendor code is then entered into the Vendor Master File along with other required information, thus creating a vendor record.

The Accounts Payable Manager will maintain a complete file of all W-9 forms.

b. Insurance Certificates (Risk Management Department):

- i Insurance Certificates are obtained by either the Risk Management Group; Purchasing or the Legal Department. All Insurance Certificates are maintained by the Risk Management Group in their database. This database is accessible to the Purchasing Department and the Legal Department.
- ii. Prior to any contractual commitments, Purchasing Department staff will consult with staff in the Risk Management Department to determine if the appropriate insurance certificates in the required amount are on file.

2. Utilization of Data

The Vendor Master File is updated as necessary to maintain current data.

**B. DETERMINING THE PURCHASING METHODOLOGY
(Bidding Thresholds)**

The following thresholds define the bidding requirements for Goods/Services. For purchases under \$50,000 the Purchase Requisition/Purchase Order process will be followed. The exception to this process applies to purchases up to \$1,000 for which the product can be purchased off of the approved vendor supplier list.

1. **Up to \$1,000 (Net of Tax and Freight) from a supplier on the approved vendor list:** direct purchase allowed; no requirement for competitive bid or purchase requisition process.
2. **\$1,001 - \$9,999 – Discretionary Purchasing:** The Purchasing Department will follow the Purchase Requisition process outlined later in this document. The Purchasing Department will use prudent business judgment in placing such orders and will periodically perform competitive analysis on such requisitions to insure we are obtaining optimal pricing.
3. **\$10,000 - \$49,999 - Discretionary Purchasing:** The Purchasing Department will solicit at least three written quotes and choose a vendor. The following factors should be considered prior to making an award:
 - a) Ensure that the Goods/Services meet the form, function, and utility of the agency;
 - b) Ensure that the vendor is a responsible vendor considering such factors as: accountability, reliability based on past working relationship, skill, vendor evaluations; references and recommendations from outside sources.
 - c) Ensure the price being offered is reasonable based upon similar products or services offered to other entities or in relation to the department's knowledge in the marketplace.

The transaction will then be formalized through the Purchase Order or Contract process described later in Section III.H.

4. **\$50,000 and above – Competitive Bidding:** The Purchasing Department must solicit sealed bids and use its best efforts to secure bids from a minimum of three vendors. The process to be followed when conducting an IFB or RFP is detailed later in this document.

- a) Bids expected to exceed \$100,000 must be advertised in a local paper and on the NYRA website.
- b) The Finance Committee will approve a listing of all capital projects with expenditure greater than \$250,000.

The transaction will then be formalized through the Purchase Order or Contract process described later in Section III.H.

C. PROCUREMENT METHODS

1. Purchase Orders:

Purchase Orders are basic contractual documents, issued by an authorized individual; Purchase Orders usually consist of the vendor's name/address; description of the item or service being procured; quantity being purchased; cost per item; shipping terms; total cost and applicable accounting system information such as Purchase Order number and funding source. The Purchase Order formalizes the terms of the purchase and must be signed by an authorized individual.

2. Purchase Requisitions:

The Purchase Requisition Form is the document which begins the purchasing process. This Form contains the following information: description of the item or service being procured; quantity being purchased; shipping terms, budget codes, and when applicable (discretionary purchases), suggested vendor.

3. Contracts:

- a) **Competitive:** An open process used to solicit competitive bids resulting in an award based on a pre-determined evaluation methodology. Two approaches are an Invitation for Bid (IFB) and Request for Proposals (RFP) as more fully described later in this document.
- b) **Emergency:** An emergency is an urgent and unforeseen event where health and public safety or the conservation of public resources is at risk. A department's failure to properly plan in advance which then results in a situation in which normal practices cannot be followed does not constitute an emergency.
- c) **Sole Source:** An award wherein the commodity or service is available from only one source.

- d) **Single Source:** Single Source: An award wherein two or more vendors can supply the commodity or provide the services required, but one vendor is selected over the others for reasons such as expertise or previous experience with similar contracts.

Circumstances under which a single source award may be utilized include:

- i. Consultant and professional service where such service is uniquely positioned for the thoroughbred racing or pari-mutuel industry or where such consultant or specialty service is considered to be a subject matter expert. This exception to the NYRA competitive bidding policy requires the approval of three specific members of NYRA's senior management team: NYRA's Chief Executive Officer, NYRA's General Counsel, and NYRA's Chief Financial Officer. If a purchase requisition for which approval is sought under this exception is generated by any of the above-referenced senior members of NYRA's management, then the purchase requisition will require the approval of the two other specific members of NYRA's senior management team and the approval of NYRA's Chief Operating Officer. Final approval of such a proposed exception requires a majority of the relevant votes.
- ii. Provision of personal or professional services where the vendor is deemed uniquely qualified through experience or reputation to provide the desired services. (e.g., legal services, architectural services, media, lobbying, consulting). This exception to the NYRA competitive bidding policy requires the approval of three specific members of NYRA's senior management team: NYRA's Chief Executive Officer, NYRA's General Counsel, and NYRA's Chief Financial Officer. If a purchase requisition for which approval is sought under this exception is generated by any of the above-referenced senior members of NYRA's management, then the purchase requisition will require the approval of the two other specific members of NYRA's senior management team and the approval of NYRA's Chief Operating Officer. Final approval of such a proposed exception requires a majority of the relevant votes.

4. Media Buys:

The following process will cover all media buys and will be the exception to other processes described in this Purchasing Policy and

Procedures Manual. Advertising can include print, out of home*, as well as radio and television spots.

- a) A line item budget is prepared by the Marketing Department and the line item budget is signed off by both the CFO and the head of the Marketing Department
- b) Annual advertising schedule and flow chart of expenditures (media plan) is prepared and is finalized with the individual in charge of Marketing.
- c) This plan is prepared in compliance with the budget and any negative variances to the budget are explained in writing and approved by the CFO.
- d) The approved media plan acts as authorization to issue a purchase order when the requisition is received.

Payment of Media Vendors: The individual in charge of Marketing or an approved designee will submit a fully executed requisition to the Purchasing Department prior to the actual placement of the ad. The requisition must include a copy of the original media plan with the specific item covered by the requisition highlighted. NYRA Purchasing will issue a corresponding PO and advise the requisitioner of the PO number. A copy of the budget will be attached to the AP copy of the PO. A tear sheet for the print ads and station affidavits for radio or TV spots will be required as backup in addition to the invoices and will be sent for payment directly to the Accounts Payable Department referencing the PO number.

*Out of home media refers to all media that is consumed outside of the home. Examples of these mediums include but are not limited to: billboards, 30-sheet posters, 8-sheet posters, railroad car cards, stadium signage, movie theater advertising, taxi tops, phone kiosks, bus sides and tails, etc.

D. ADVERTISING

1. Bids \$100,000 and over: all bids \$100,000 and over must be advertised in local papers and on the NYRA website.
2. Capital Projects exceeding \$250,000: all capital projects exceeding \$250,000 must be approved by the Finance Committee.

E. GATHERING INFORMATION PRIOR TO SELECTION

This section provides direction on the selection of vendors and outlines methods of obtaining information to assist in developing the procurement document.

1. **Vendor Selection:**

The Purchasing Department shall select vendors from the following sources:

- Blue Book - Contractor specific (e.g. Electricians, Plumbers).
 - Vendor Commodity File Listing of existing vendors on the system.
 - Manual File - file of letters and inquiries from vendors requesting to be considered for future RFQs.
 - Suggested vendors on the Requisition form.
 - Vendors/contractors obtained from the New York State Division of Women and Minority Businesses.
 - Vendors that respond to the website and or newspaper advertisement for bidding on goods/services exceeding \$100,000.
 - Internet Research or Other Method.
-
- NYRA shall advertise on a semi-annual basis in at least one official paper of general circulation in the New York City Metropolitan area and at least one newspaper in the Saratoga Springs area to solicit aforementioned vendors/contractors for the bid list. Vendors/contractors will be placed in a specific category or categories on the bid list and it will be maintained on the bid list for a reasonable period of time, at the discretion of NYRA.

A bidder shall meet the following qualifications: be duly organized and in good standing (as relevant), be technically qualified to perform the proposed work, be able to secure adequate financial resources to perform the proposed work, be able to comply with a delivery or performance schedule, have a satisfactory record of past performance, and present no conflicts of interest with regard to either other work performed by the firm or staff or conflicts of interest with NYRA officers, employees and Directors, as determined by NYRA in its reasonable judgment.

Once the vendors have been identified and selected by Purchasing, they are entered into the PO System in the "Bidders List" section of the Request for Quotation (RFQ) module.

2. **Methods for Obtaining information to assist in developing the procurement document:**

The information provided below is intended to inform purchasing staff of some methods to gather and exchange information with the vendor community in a manner that promotes openness, fairness, and transparency.

- a) Request for Information (RFI): An RFI is a research an information gathering document used to learn of options available to address a particular need and to obtain information to help create viable requirements for a potential solicitation. Issuing an RFI to potential bidders will elicit responses, which will assist NYRA in writing specifications in order to obtain the best solution.
- b) Request for Comment (RFC): An RFC is used to solicit input from potential bidders about a solicitation's structure and language to assess its impact on potential bidders. For example, NYRA has drafted a Request for Proposal (RFP), but is uncertain if potential bidders will find the requirements or language too restrictive. Issuing an RFC to potential bidders will allow NYRA to gather valuable information in order to revise the document in a manner that will promote a more responsive solicitation. The issuance of an RFC differs from issuing a draft RFP in that only sections of the RFP are sent for comment and are open for discussion; the entire document is not open for review.
- c) Draft Request for Proposals: NYRA may submit a draft RFP to the vendor community to solicit comments prior to formal issuance. Issuing the entire document allows vendors an opportunity to comment on all aspects of the RFP, which, like issuing an RFC, may help NYRA to develop a final document that will result in more viable responses. The cover letter accompanying the draft RFP must indicate which sections of the document are not subject to comment or revision, such as standard terms and conditions.
- d) Roundtable Session: A roundtable session is generally an open meeting in which vendors are invited to comment on a proposed procurement prior to the release of a competitive solicitation. These meetings allow potential vendors to ask questions in an open forum. It is suggested that these sessions be moderated to ensure that all participants are provided an equal opportunity to participate. Techniques that may be used include: written agenda detailing the topics to be discussed, restricting the time allowed for each vendors questions, etc. The disadvantage of utilizing this method vs. issuing an RFI, RFC, or Draft RFP is that some vendors are reluctant to share some information in an open forum.

Note: The above techniques are intended as a tool for users to obtain information to assist in the creation of solicitation documents that will foster an open and competitive process, not to customize solicitations in a manner that favors one vendor over another or imposes restrictive standards.

F. CONDUCTING A COMPETITIVE PROCUREMENT (RFQ)

1. Conducting a procurement using a Request For Quotations

(RFQ): A RFQ describes the administrative process, clearly defines specifications, establishes required delivery terms, bidder qualifications, method of award, terms and conditions, and instructions for bid response. The following steps outline the process:

- a) Develop specifications for the goods/service needed;
- b) Prepare the solicitation document (detailed in this section);
- c) Advertise the procurement opportunity (Section III.D)
- d) Distribute the RFQ to potential bidders;
- e) Conduct site visits, pre-bid conferences, question and answer period;
- f) Receipt of bids;
- g) Conduct formal bid opening;
- h) Review of bids for responsiveness;
- i) Evaluation of bid responses;
- j) Responsibility/Integrity review of apparent winning bidder;
- k) Award notification to successful and non-successful bidders;
- l) Issue Purchase Order or Contract (Section III.G)

-
- a) **Develop Specifications** – The Specifications must ensure that bidders know exactly what is required: Specifications should be as clear, inclusive and informative as possible. Specifications should be precise enough so that the NYRA will receive the Goods or Services needed, yet broad enough to encourage competition. NYRA should develop generic requirements that do not favor a particular vendor. However, the solicitation may incorporate any information obtained from an RFI, RFQ, etc. Specifications establish the minimum level of acceptable requirements. The level of detail required in the specifications depends upon the complexity of the Goods or Service being procured.

Below are common methods for creating specifications:

- i. *Goods*: The specifications describe the product in great detail, usually describing physical components, method of assembly, chemical composition, and performance standards. If it is necessary to procure a specific product (make and model) then the exact specifications must be provided and the award must specify that no substitutions will be accepted. If an exact make and model is not required then the award methodology must indicate that specified product or similar meeting specifications is acceptable.
- ii. *Services*: The specifications must define the scope of service and the minimum qualifications of the bidder, including years of experience and experience performing similar services; required license or certifications; and financial viability.

NYRA may use qualified independent consultants if specialized expertise is needed in the formulation of specifications or requirements. Any such consultants will assist in preparation of bids by vendors/contractors in response to that matter in which he or she consulted. However, such consultants may not submit bids on projects on which consultation has been rendered.

- b) **Prepare the Solicitation Document** - In addition to the Goods/Services specifications, the solicitation informs potential bidders of the nature of the procurement, any statutory requirements, the deadline for submission of bids, the location where bids must be sent, delivery terms, any special delivery requirements, the basis for award (lowest Price), method of award (by lot, item, region, etc.), and dispute resolution/bid protest procedures. The solicitation document must include instructions to bidder on how to structure their bid response, including the form of the bid price (hourly, per item, square foot).

Using the RFQ Template: Once specifications are developed, Purchasing populates the RFQ template with the following information:

- RFQ number generated by the system;
- RFQ date;
- Vendor information – obtained through interface with the Vendor list;
- Shipping terms;
- Requesting department;
- Insurance requirements where applicable;
- Mandatory site visit if applicable;
- Specifications (see above);
- Terms for advance payment if applicable;

- Required form of bid response: submission terms and due date, bond requirements,
- Bid Form for submission of cost.

The final RFQ must be reviewed by the Director of Purchasing to ensure that the documents are complete and accurate prior to release.

Following approval of the RFQ document, a bid folder is created for filing the RFQ, submission schedules, Federal Express labels. The Bid Sheet which records the RFQ number, project description, and solicitation list, and any additional documents or comments are also filed in this folder. The procurement folder is filed in a cabinet in the office of the Director of Purchasing.

- c) **Advertise the procurement opportunity** (Section III.D).
- d) **Distribution of the RFQ:** Once the RFQ is completed and the advertisement(s) has been placed, distribute the RFQ to potential bidders and any bidder that requests a copy of the RFQ as a result of the advertisement(s). Potential bidders may be identified through web searches, previous procurements, NYRA's vendor list, and the Department of Economic Development list of New York State certified M/WBEs. The RFQ (or notice of the RFQ) can be distributed via postal mail, e-mail, posting to NYRA website.

The bid package must contain a return envelope s addressed to the CFO or the Purchasing Department depending on the value of the bid. This ensures that there is adequate segregation of duties whereby bids are not returned directly to the requestor. The bid document will instruct the vendors to use this return envelope; hand delivery to the CFO will also be permitted.

- e) **Conduct Site Visits, Pre-bid conference, Question and Answer period:**
 - May require site visits to ensure that bidders are aware of site conditions;
 - May hold a pre-bid conference to allow bidders to ask questions; and
 - Allow sufficient time for a question and answer period.

All questions and answers raised at any of the above-events must be confirmed in writing and shared with all potential bidders. These techniques are all suggested practices, however, if used, they must be provided for in the solicitation

document.

- f) **Receipt of Bids:** The RFQ must state the location, time and date for the submission of the bids. Any bid received must be kept in a secured area not opened prior to the bid opening date and time. As a general rule, bids received after the deadline specified in the RFQ cannot be accepted.

Vendors mail their sealed bids utilizing the return envelope addressed to the CFO or the Purchasing Department depending on the value of the bid. The envelopes are date stamped either by the Purchasing Department or by the CFO's Administrative Assistant. If the envelopes are hand delivered, they may be brought directly to the Purchasing department or the CFO's office, where they are date stamped upon receipt. Bids must be received no later than the due date stated in the RFQ. All bid envelopes are kept sealed and are filed in the respective bid folders until the bid opening at the bid committee meeting. This assures segregation of duties as well as adequate safeguarding, as it restricts access and ability to change and or alter bids.

- g) **Conduct Formal Bid Opening.** At this time, all timely bids are opened and recorded, creating a "Bid Tabulation" which must be kept as part of the Procurement Record. The Bid tabulation must include all timely Bids received. It should be signed and certified by the NYRA staff responsible for opening and recording the bids as noted below.

- i. Bid Committee Meetings involving sealed bids with an expected value of less than \$100,000 will require the attendance of representatives from the Purchasing Department as well as a representative from either the Law or Internal Audit Departments.
- ii. Bid Committee Meetings involving bids with an expected value greater than \$100,000 will require the attendance of representatives from the Purchasing, Law, Finance and Internal Audit Departments.
- iii. Bids are opened, read out loud, examined by the representatives and recorded on the Bid Sheet. The return envelopes or a copy of the envelopes with a received date stamp are stapled to the corresponding bids. The Bid Sheet is signed by the representatives.

Note: Personnel in attendance at bid openings (other than representatives of the Purchasing Department or specified consultants) are not permitted to discuss prices quoted with

suppliers at any time. The name of the successful bidder and their price quote are not publicly revealed.

h. Review of bids for Responsiveness:

- i. Ensure the Bid submission is complete and accurate; bid is compliant based upon the minimum qualifications and submittal requirements outlined in the RFQ.
- ii. Ascertain if all appendices and required documents have been submitted and are signed.
- iii. Request clarification where appropriate*.
- iv. If there are large variances in the bid prices between the apparent low bid and the next low bid, clarification must be sought to ensure the bidder understood the specifications and can perform/deliver at the price bid

If a bidder is deemed non-responsive they should be removed from the evaluation process. Legal opinion should be sought prior to determining a bidder non-responsive and prior to requesting clarification* of bid information.

*NYRA may request additional information from a bidder concerning particular aspects of a submission to ensure that a proper and objective analysis and evaluation can be performed on an equitable basis, however, such request shall only seek further explanation of a bid as submitted and shall not require nor permit a bidder to add, change, or otherwise re-submit any aspect of a bid.

If upon reviewing and analyzing the bids it becomes apparent to the Bid Committee that a majority of the bidders either misunderstood the scope of the project, misunderstood the nature of the goods or services being solicited, or failed in any other material way to fully respond to the RFQ issued by NYRA, NYRA may, in its discretion, call a post submission meeting of all the bidders who submitted bids to clarify or otherwise explain in further detail the nature or scope of the goods or services being requested by NYRA. NYRA shall thereafter require the bidders to resubmit a sealed "final best" offer or bid, which NYRA shall handle and consider in accordance with the bid procedures contained herein.

NYRA reserves the right to reject any and all bids, waive informalities, and to contract in the best interests of the organization. Conflicts are referred to the Ethics Officer.

- i. **Evaluation of Bid Responses:** After bids are opened and recorded they will be analyzed by the Purchasing Department in conjunction with the Subject Matter Expert. The Purchasing Department will make a recommendation to the CFO who will make the final decision.

On RFQ's where price may not be the sole determining factor and an award of business is based on a combination of criteria such as technical capability; unique solutions; standing within the industry; scope of services offered then the award of business may be made by using an evaluation instrument.

The Evaluation Instrument is the tool used by the evaluators to apply the scoring criteria as defined and agreed to by the evaluation team and includes the breakdown of the relative weights into detailed categories (i.e. experience 20%, staffing 15%, etc.). This tool consists of a series of documents used in the evaluation process. This series of documents may include, but are not limited to:

- Instructions to evaluators;
- Pre-defined rating sheet defining the allocation of points consistent with the RFP;
- Evaluator worksheets and summary forms;
- Scripted interview questions;

The following factors are considered in reviewing bids and awarding contracts:

- Previous record of performance and service.
- Vendor Responsibility.
- Ability to render satisfactory service.
- Availability of bidder's representative to consult with the end user Department.
- Quality and conformance to specifications.
- Background Investigation of successful bidder.

Active vendors who provide goods and services where the purchase order/contract price is over \$100,000 are formally evaluated by the Department who owns the goods/service to ensure that NYRA does not purchase from substandard vendors, e.g, less than optimal price, quality, unreliability, poor delivery record, etc. The evaluation is performed through an electronic numerical metric system which generates a grade against which to measure the suppliers.

All other factors being equal, the award will be made to the lowest responsible bidder. If award is made to other than the lowest bidder, the relevant department head or a representative from the Purchasing Department must issue a memo to the bid folder explaining the reason for the award, subject to approval by the CFO.

- j. **Responsibility/Integrity** Review of apparent winning bidder: Verify that the winning bidder is a “responsible” bidder (Section III.H).
- k. **Award and Award Notification** - Once the winning proposal has been determined, the award shall be made in accordance with the method of award in the RFQ. Notice of Award letters should then be sent to the successful and non-successful bidders.
- l. **Issue Purchase Order or Contract** - Once the above steps have been completed and all necessary approvals have been obtained, the Agency may issue the Purchase Order/Contract to the vendor (Section III.G).

G THE CONTRACTING TOOL (Contract, Purchase Order, Purchase Requisition)

Contract/Purchase Order:

Purchase Orders will be generated for all goods and services over \$1,000 from vendors which are not on the approved vendor list. For purchases under this value from a vendor on the approved vendor list, follow the Purchase Requisition process outlined in this section.

The following rules apply to the purchasing of goods and services under \$1,000. Split-ordering as an attempt to remain below the \$1,000 threshold and circumvent the bidding policy is not permitted under this Policy.

- An individual with signatory authority can approve purchases under \$1,000.
- All invoices for purchases under \$1,000 will be sent directly to the requesting party for authorized signature.
- If available, all goods and services must be purchased from suppliers on the approved supplier list, which is maintained in the Purchasing Department. Purchasing must approve any purchases outside of the approved vendor list prior to placing the order.
- The authorized signatory will send the receipt documentation with the approved, initialed invoice and cover sheet, containing general ledger codes and department head's signature, to Accounts Payable for approval and payment.

See the Purchase Requisition section below for the appropriate approval thresholds.

The Purchase Order ("PO") process encompasses:

- Purchase of goods/services under \$50,000.
- Purchase of goods/services for \$50,000 and over.

a. **Purchase of Goods/Services \$1,001-\$49,999**

i) Purchasing staff populate the PO template in the PO System beginning with a vendor code, which allows the system to automatically assign the next PO number in numerical sequence. This control ensures that there is an adequate tracking mechanism for purchase transactions.

ii) Once the PO is created, the following areas of the form are populated: purchase requisition number, budget code, unit price, and shipping and delivery terms. The system automatically calculates the sub-total, tax and total. Tax rates are maintained on tax tables for each delivery location within the system. The Purchasing Department updates the tax tables on an as needed basis in order to ensure the correct sales tax rates are used in the tax calculation and payment.

iii) The PO is then printed from the system and reviewed against the requisition for completeness and accuracy, by the Assistant Director of Purchasing. This ensures that errors are detected on a timely basis. Once any errors are corrected the PO is then "Forwarded" through the system, which finalizes the five-part PO in the system.

iv. The PO is then approved in the system by either the Director or Assistant Director of Purchasing. The process is password protected and the "Award" process places an electronic signature on the PO. This process protects the integrity of the approval process.

v. The final Purchase Order consists of a five-part form, detailed below, which is printed from the system for internal use as defined further in this section and throughout this Purchasing Policy.

- White Copy: forwarded to the vendor via fax or mail.
- Pink Copy: forwarded to Accounts Payable (AP) with a copy of the Purchase/Service Requisition Form. AP uses this, together with the vendor's invoice and receiving documents, in a three-way match when paying the invoice.
- Blue Copy - is attached to the Purchase Requisition Form and filed in the "Open Order" file cabinet located in Purchasing. (The Open Order process is described below in this section).
- Green & Yellow Copies - are forwarded to the requesting department via interoffice mail. The yellow copy remains in the requesting department; the green copy is used as the receiving document, which is sent back to AP upon the receipt of goods/services. (See Section V for direction on the receipt of Goods and Services).

b. **Purchase of Goods/Services for \$50,000 and over**

The purchase of Goods and Services valued at \$50,000 and over are subject to the competitive bidding process (see Section III.B – Determining the Purchasing Methodology – bidding thresholds).

Once award is made the successful vendor's name is entered on a PR Form by the Director or Assistant Director of Purchasing and approved by the CFO or designee. The Form is then forwarded to the Purchasing Department for processing as described above for purchases under \$50,000.

Purchasing in conjunction with the Law Department, shall determine if the relevant PO should be supplemented by a comprehensive agreement. The Law Department and the relevant vendor will negotiate the form of the agreement memorializing the transaction. The Law Department and the Director of Contracting and Procurement will review all contracts for goods and services prior to signature. The vendor and either NYRA's CFO or CEO or designee must sign all service contracts. Copies of the finalized contract are distributed to the following departments: Accounting, Purchasing, Legal, in addition to the department that requested the purchase.

- c. **Open Purchase Orders** - Open PO's are currently used for purchases that will cover a certain stated period of time and/or a fixed recurring charge set up with a maximum ceiling. Examples are leases, short-term (under 12

months) and long-term (over 12 months) rental agreements, maintenance agreements, subscriptions, sanitation service, etc.

For purchases under \$50,000 an authorized Purchase/Service Requisition form is submitted to Purchasing. Purchases exceeding \$50,000 go through the sealed bid process, which ultimately results in an authorized Purchase/Service Requisition form. Purchasing utilizes the authorized Purchase/Service Requisition form to begin populating the PO template as described below under the Purchase Requisition process). The "Comment" field on the template is populated with the words "Open Purchase Order". Purchasing also enters the stated period, rates and or maximum payments, as applicable. All copies are forwarded to all parties as described above.

- d. **Revisions and Cancellations** - In the event of a revision or cancellation, (i.e., changes in units, contracted period, shipping or other terms, budget codes, a specific line item on the PO cannot be obtained by the vendor, a line item on the PO is no longer needed, etc.), a request is forwarded to Purchasing via fax or e-mail by the requesting Department Head. Purchasing maintains the documented request and attaches it to the specific PO in the Open Order file. The revision or cancellation is processed by Purchasing. The same PO is accessed in the system and a revision field is populated indicating the revision number, (e.g., "Revision 1"). The PO number remains the same. Changes are then made to the PO indicating the revision or cancellation. For cancellations, the line item to be cancelled is kept on the PO in order to provide an audit trail, however, the unit cost and total cost for that line are erased. Copies of the revised PO are distributed to all concerned parties (see section below on Purchase Requisitions). Purchasing reviews all PO's on the system annually

1. **Purchase Requisition:**

Purchase Orders will only be initiated through the completion of the Purchase Service Requisition (PR) Form. The PR Form must be received by the Purchasing Department by fax, or hard copy followed by originals. Requisitions are received by the party requesting the goods or services, duly signed and approved. No verbal or telephone requisitions will be allowed except in case of an emergency where in such cases the original will follow.

The Purchase Requisition process described in this section does not apply to purchases valued up to and including \$1,000 (excluding tax and freight) from vendors who appear on the approved vendors list maintained by NYRA.

a. **The Purchase Service Requisition Process:**

- i. Requestor: the PR Form is completed by the requestor and must contain the following information: units, description of goods, budgetary codes, proposed vendor, shipping terms, and the reason for the purchase of the

goods or services. The Form is then forwarded to the Department Head for approval based on the following approval thresholds:

- Up to \$1,000 can be signed by individuals on the approved signatory list.
- \$1,001-\$9,999 must be signed by an individual from the approved signatory list and either the Director of Purchasing or the Director of Contracting **and** Procurement or the Assistant Director of Purchasing
- \$10,000 and over must be signed by an individual from the approved signatory list **and** either the Director of Purchasing or the Director of Contracting and Procurement or the Assistant Director of Purchasing **and** either the Controller or the CFO.

The Purchasing Department maintains a list of authorized individuals and their respective signatures and maintains Purchase Requisition stock on-hand for distribution to departments as requested.

ii. **Purchasing Department:**

- Upon receipt of the PR Form, Purchasing reviews the signature to ensure proper authorization based on the approval thresholds detailed above.
- Purchasing then records the unit pricing and total cost on the PR Form, investigates any discrepancies, coordinates with the requester and makes any corrections or adjustments, as needed.

Purchasing inputs the information from an the approved PR Form into the PO System.

The three-part Purchase Service Requisition Form is distributed by the Purchasing Department as follows:

- White copy is retained by Purchasing and stapled to the back of the Purchasing Department copy of the PO when the PO is created.
- Pink copy is stapled to the back of the "Accounting" copy of the PO and forwarded to A/P.
- Yellow copy is retained by the requesting department for their records.

b. **Exceptions to the Purchase Order Process**

The following types of payables are not subject to the Purchase Order process:

- Purchases under \$1,000 from a vendor on the approved vendor list;

- Revenue (i.e. Scientific Games interface fees, selection sheet – “touts”, Newspapers/publications for resale)
- Centerplate
- Charitable contributions
- Federal Express
- Insurance
- Jockey’s Guild (mandated fee by JG)
- Legal Firms
- Money Room Settlements
- Purses
- Stallion Series Winners
- Contest Winners-Non Pari-Mutual
- Statutory Payments/Regulatory
- Taxes and Settlements
- Unions
- Utilities
- Benefits Payments (part of insurance)
- Racing & Wagering Board License Fees

Note: Professional fees that are bid out are subject to the Purchase Order process.

H. VENDOR RESPONSIBILITY DETERMINATION PROCESS

Where the transaction will exceed \$100,000 NYRA will require a background investigation of a successful bidder by a third party Vendor Integrity Service. In order to ensure good corporate governance, prior to signing a contract, NYRA will require an investigation of all successful bidders whose goods or services will exceed \$100,000. To be deemed responsible, a bidder shall meet the following qualifications: be duly organized and in good standing (as relevant), be technically qualified to perform the proposed work, be able to secure adequate financial resources to perform the proposed work, be able to comply with a delivery or performance schedule, have a satisfactory record of past performance, and present no conflicts of interest with regard to either other work performed by the firm or staff or conflicts of interest with NYRA officers, employees and Directors, as determined by NYRA in its reasonable judgment.

During the bid process, NYRA will inform the bidders that the successful bidder, with the exception of those bidders which are publicly traded companies, will be required to satisfactorily complete a vendor/contractor qualification statement prior to being considered for award of the right to negotiate a contract. For publicly traded companies NYRA will review the firms 10K/10Q or equivalent filing and latest quarterly reports before making a final decision.

The successful bidder, with the exception of those bidders which are publicly traded

companies, will be required to send the qualification statement and a fee, approved by NYRA, directly to the third party vendor integrity service (e.g. Kroll or alternative). The third party vendor integrity service sends a confirmation via e-mail to the Director of Purchasing upon receipt of the application from the vendor. The confirmations are printed and maintained in the Purchasing Department. Upon completion of the investigation by the third party vendor, a final report will be issued to the NYRA Purchasing Department. In certain instances the Security Department may be asked to supplement the vendor integrity report with additional searches.

Upon completion, the Vendor Integrity Reports will be directed to NYRA's legal department to determine whether the bidder is suitable for award.

Such reviews will be based on the following conditions:

1. Instances where a bidder may be removed from consideration for award include, but are not limited to, the following:
 - Listed on the federal debarment list;
 - Association with organized crime;
 - Revealed to have been involved in illegal activity;
 - Subject of a bankruptcy or insolvency proceeding;
 - A qualified opinion on the financial Report;

2. Instances where the bidder shows some significant information which will require a business judgment decision as to viability include, but are not limited to, the following:
 - The bidder or its principal is a defendant in criminal litigation;
 - The bidder or its principal is named in state or federal judgment and lien indices;
 - The bidder or its principal omitted information from the qualification statement;
 - The bidder or its principal is a defendant in a state or federal civil case;

At the completion of this review, if the bidder does not exhibit any of the issues outlined above, and it is determined that no further review is warranted, NYRA will notify the bidder whether or not it has been awarded the right to negotiate a contract for the relevant project.

The Investigative Reports are valid for three years. Vendors that submit another bid within the three year period are not required to pay for another background check but must certify that there is no change in the information they provided in their qualification statement which would impact their status.

3. Awards exempt from Vendor Integrity Review:

- Companies where the total contract value is \$100,000 or lower.
- Public companies- subject to review of 10K/10Q reports and latest quarterly reports in place of the vendor qualification statement.
- Unions
- State Agencies
- Major Utilities (i.e. Con Ed, National Grid, Integrys, Water Board)
- OTB
- Breeders Cup
- Personal Services Contracts – i.e. Tom Durkin
- Industry Associations (i.e. National Steeplechase, NTRA)
- Legal Firms

IV. CONTRACT ADMINISTRATION AND MONITORING

Contract administration and monitoring is the oversight of all actions after the contract is approved to ensure compliance with the contract terms and conditions. Contract administration begins with the regular monitoring of each contract and its activities. The contract manager's primary responsibility is to ensure that the contractor is performing the requirements of the contract in accordance with the terms, conditions and specifications of the contract.

**A. RECEIPT OF GOODS OR SERVICES
(procured through the purchase order process)**

Where a purchase order is used to procure goods or services the following process must be followed in accordance with the type of order or shipment (single complete shipments; partial shipment and open orders; leases and pre-paid orders).

1. Single Complete Shipment:

a. Receiving Party:

- i. Verifies the quantities on the packing list against the green receipt copy of the purchase order filed in the Requesting Department;
- ii. Inputs the quantities received on the appropriate line items on the green receipt copy and dates and marks it complete;
- iii. Sends the completed green receipt copy to the Accounts Payable Department along with the packing slip for further processing (an Accounts Payable cover sheet is not required).

b. Accounts Payable:

Matches the original green receipt copy to the invoice and the

Purchase Order and if there are no discrepancies, pays the invoice (the invoice is not routed to the requesting department for verification). If discrepancies are found, Accounts Payable will notify the Purchasing Department of the need for further review and will forward the original green receipt copy and retain a receipt.

c. Purchasing:

Closes out the purchase order which completes the procurement Cycle.

2. Partial shipments/Open Orders:

a. Receiving Party:

- i. Verifies the quantities on the packing slip (if any) against the green receipt copy of the purchase order.
- ii. Inputs the quantity received on the appropriate line item of the green receipt copy and signs, dates and marks the green copy complete.
- iii. Verifies price against the invoice.
- iv. Sends a dated and signed (by the Department Head) copy of the green copy to Accounts Payable (with a copy of the packing slip if any). a signed and approved Accounts Payable cover sheet must accompany the approved invoice.

The above process continues until the last shipment is received. At that time the receiving party will enter the last shipment(s) and send the signed, approved and dated original green copy with the last invoice and all packing slips (if any) to Accounts Payable. At this time the green copy must be marked complete with the date.

b. Accounts Payable:

- Makes a copy of the green copy and forwards it to the Purchasing Department who then closes out the purchase order in the system which completes the procurement cycle.

If there is an over shipment at any time during the process and it is decided to keep the over shipment then an e-mail must be sent to the Purchasing Department indicating the new amount and the reason for accepting the material. Purchasing will revise the purchase order accordingly. The receiving department follows the procedure above.

3. Leases/Maintenance and Pre-Paid Purchases

a. Receiving Party:

- Send the original green copy of the purchase order directly to Accounts Payable with the first payment.

b. Accounts Payable:

- Holds the original green copy until the lease/maintenance/pre-paid order is complete and then sends
- The original green copy to Purchasing.

c. Purchasing:

- Closes out the purchase order, which completes the procurement cycle.