

## **STANDARD OPERATING PROCEDURE TO GOVERN THE PROCEDURES FOR THE PROCUREMENT PROCESS KRAAIBOSCH HOMEOWNERS' ASSOCIATION**

### **PURPOSE**

The purpose of the Standard Operating Procedure, herein referred to as a SOP, is primarily to govern the procurement process.

### **BASIC PRINCIPLES TO BE APPLIED**

- a) Procure at the best price and quality
- b) No procurement without approved budget or when it will result in exceeding the budget
- c) Proper motivation for procurement of any unbudgeted item, service, or budget exceedance (reason for purchase e.g. emergency and indication if the money can be saved somewhere else in the budget) must be given and the necessary board approval must be obtained before commencing with the expenditure.
- d) Set a limit for debit card purchases as well what type of items or services may be procured using the debit card.
- e) Compile a list of approved individuals who may use the debit card as well as the type of expenses they are allowed to incur using the debit card. The use of multiple and personal cards and pins may increase security.
- f) All parties that can influence a purchase or allocation of a tender should always declare if they are related to the party we are about to deal with (Estate manager, subject matter experts, any member of the board of trustees or any member of the relevant subcommittee)
- g) Disclose when the KHOA is dealing with a resident, but more specifically a member.
- h) Tender process only to be utilized for service contract, large maintenance project or potential building projects in excess of R100 000.
- i) Compile a list of preferred current suppliers for the following if we do not have contracts in place:
  - 1) Small electrical work
  - 2) Small plumbing work
  - 3) Supply of protective clothing
  - 4) Maintenance of garden equipment to name but a few
- j) Keep a list of all current service providers with existing contracts indicating the duration and value of these contracts.
- k) Consider an initial 3-year period for all new multiyear service and supplier contracts, whereafter we will either go out on tender again, or extend the contract period of the existing service provider with another 3 years if we are still satisfied with the current level of the service and if we are able to negotiate an increase in line with inflation.

- l) Request for quotations to be used for service contracts and projects between R7000 and R100 000 (at least two quotations)
- m) Request for quotations to be used for all purchases of assets exceeding R7000 (at least two quotations)

## **BACKGROUND**

It is imperative for the KHOA to put internal controls in place, which controls will govern the PROCUREMENT PROCESS (RFQ – Request for Quotation process and the validation the of invoices for payment). It has become incumbent on the BOT to develop measures which will facilitate the procurement process and assist in maintaining sound accounting practices.

## **PROCEDURES TO BE FOLLOWED BY STAFF AND TRUSTEES**

### **SERVICE CONTRACTS AND LARGE MAINTENANCE PROJECTS EXCEEDING R100 000 – FORMAL TENDER PROCESS**

#### **Step 1: PREPARATION OF THE RFQ**

The EM (the Estate Manager) will, in collaboration with the relevant trustee, sub-committee members and subject matter expert identify the items (materials and services to be procured). The draft RFQ will contain exact details of the specifications for the goods and services to be procured. This draft RFQ will be prepared and signed off by both individuals, (the relevant trustee and EM) after having verified that the appropriate budget provision is available.

#### **Step 2: SOURCING OF RFQ**

The EM (with input from subject matter experts and sub-committee members where applicable) will identify possible reputable service providers within the jurisdiction of George and if such services providers are not available locally, the provincial boundaries will suffice and if not, then nationally. The method of sourcing RFQ's will be either telephonically or electronically. The preferred method for submitting a RFQ will be electronically and it must be within the agreed timeline.

#### **STEP 3: EVALUATION AND ADJUDICATION**

Upon receipt of the quotations from at least 3 service providers the evaluation process will be conducted by the EM, subject matter experts, sub-committee members and the

relevant trustee where applicable, with at least 1 member not previously involved in the RFQ development process. If at least 3 quotations cannot be obtained, proper justification must be given and approval must be obtained from the BOT to proceed with the quote/quotes that were received. If not approved the process will be repeated, if approved the successful service provider will then be selected and informed of being successful. A formal contract containing all the relevant terms and conditions will then be drawn up and signed by the KHOA Chairman and the appointed service provider.

The contract should contain at least the following:

- a) High level description of service to be rendered – exact detail can be in an addendum.
- b) Contracted price.
- c) Start and estimated/agreed completion/end date.
- d) Service level agreement.
- e) Exit clause – especially for multiyear service contracts.
- f) Escalation clause for multiyear contracts.
- g) Penalty clause if it makes sense.

#### **STEP 4: QUALITY ASSURANCE CHECKS**

After completion of the work, the EM, Ops Manager, relevant sub-committee members and/or the subject matter expert will perform a quality control check with the view to assess that the work was performed according to the accepted and agreed norms and standards. The EM and relevant subject trustee will sign off that the work has been completed to the satisfaction of all parties.

Once this has been completed a completion certificate/invoice is issued by the relevant service provider signed off by the EM or Ops manager and handed to the finance trustee, who will authorize payment.

#### **STEP 5: PAYMENT OF INVOICE**

The EM will deliver the signed invoice or completion certificate to the Finance Manager for payment, who will keep all relevant documents in the KHOA Audit file. This Audit file will be signed off by the BOT on a quarterly basis.

#### **SERVICE CONTRACTS AND PROJECTS BETWEEN R7 000 AND R100 000 – SIMPLE REQUEST FOR QUOTATION**

## **STEP 1 - REQUEST FOR QUOTATION**

The EM (the Estate Manager) will with inputs from other parties, if required, identify the materials and services to be procured. The requirements set out in the RFQ must be set out in a concise and precise way to ensure that the prices obtained are comparable in all aspects of fulfilling the requirement, quality of product and delivery constraints.

This RFQ will be prepared and signed the relevant trustee and EM after having verified that the appropriate budget provision is available. At least 2 quotations should be obtained in the format as set out in the RFQ and within the agreed timeline. The quotation should in the case where it contains equipment indicate what the warranty period is as well what type of after sales service will be available.

## **STEP 2 – EVALUATION OF QUOTATION**

Upon receipt of the quotations from at least 2 service providers the evaluation process will be conducted by the EM and other parties, if required. If at least 2 quotations cannot be obtained, a proper justification must be given and approval must be obtained from the BOT to proceed with the quote/quotes that were received. If not approved the process must be repeated, if approved the successful service provider will then be selected and informed of being successful. A contract containing all the relevant terms and conditions will then be drawn up and signed by the KHOA Chairman and the appointed service provider.

## **STEP 3: QUALITY ASSURANCE CHECKS**

After completion of the work, the EM, Ops Manager and other parties, if required will perform a quality control check with the view to assess that the work was performed according to the accepted and agreed norms and standards. The EM and relevant subject trustee will sign off that the work has been completed to the satisfaction of all parties.

Once this has been completed a completion certificate/invoice is issued by the relevant service provider signed off by the EM or Ops manager and handed to the finance trustee, who will authorize payment.

## **STEP 4: PAYMENT OF INVOICE**

The EM will deliver the signed invoice or completion certificate to the Finance Manager for payment, who will keep all relevant documents in the KHOA Audit file. This Audit file will be signed off by the BOT on a quarterly basis.

## **PROCURING EQUIPMENT BELOW R7 000 – SIMPLE REQUEST FOR QUOTATION**

## **STEP 1 - REQUEST FOR QUOTATION**

The EM (the Estate Manager) will with inputs from other parties, if required, identify the item to be procured. The requirements set out in the RFQ must be set out in a concise and precise way to ensure that the prices obtained are comparable in all aspects of fulfilling the requirement, quality of the product and delivery constraints.

This RFQ will be prepared and signed the relevant trustee and EM after having verified that the appropriate budget provision is available. At least 2 quotations should be obtained in the format as set out in the RFQ and within the agreed timeline. The quotation should in the case of equipment indicate what the warranty period is as well what type of after sales service is available.

## **STEP 2 – EVALUATION OF QUOTATION**

Upon receipt of the quotations from at least 2 service providers the evaluation process will be conducted by the EM and other parties, if required. If at least 2 quotations cannot be obtained, a proper justification must be given and approval must be obtained from the BOT to proceed with the quote/quotes that were received. If not approved the process must be repeated, if approved the successful provider will then be selected and informed of being successful, and a purchase order will be placed.

## **STEP 3: QUALITY ASSURANCE CHECKS**

After delivery of the item, the EM, Ops Manager and other parties, if required will perform a quality control check with the view to assess that the item delivered is according to the agreement. The EM and relevant subject trustee will sign off that the item delivered is to the satisfaction of all parties.

Once this has been completed a goods receipt/invoice is issued by the relevant provider signed off by the EM or Ops manager and handed to the finance trustee, who will authorize payment.

## **STEP 4: PAYMENT OF INVOICE**

The EM will deliver the signed invoice or completion certificate to the Finance Manager for payment, who will keep all relevant documents in the KHOA Audit file. This Audit file will be signed off by the BOT on a quarterly basis.

**ROUTINE PURCHASES OF ITEMS AND SERVICES TO RUN THE ESTATE**

The EM or Ops Manager is authorized to procure these items/services if it is in the approved budget and expenditure within the budget levels. All non-essential items more than R 500 must be cleared by the Estate Manager.

**Authorized by the BOT on .....**

**Signed by the Chairman.....**

**Signed by Estate Manager .....**

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