

Houston Forensic Science Center, Inc.

MEETING OF BOARD OF DIRECTORS
MINUTES
August 12, 2016

The undersigned, being the duly appointed Secretary of the Houston Forensic Science Center, Inc., (the "Corporation"), hereby certifies that the following are true and correct minutes of the August 12, 2016 meeting of the Board of Directors (the "Board"), of the Corporation.

- A. In a manner permitted by the Corporation's Bylaws, the meeting was called by providing all Directors with notice of the date, time, place, and purposes of the meeting more than three days before the date of the meeting.
- B. In accordance with Chapter 551, Texas Government Code, which Chapter is made applicable to the Corporation by Section 431.004, Texas Transportation Code, a notice of the meeting was duly filed on August 9, 2016, in the same manner and location as required by law of the City of Houston, Texas (the "City").
- C. The meeting was called to order by Nicole B. Cásarez, Chairwoman of the Board, at approximately 9:00 a.m. on Friday, August 12, 2016, in the Council Annex Chambers, 900 Bagby St. (Public Level), Houston, Texas 77002.
- D. Ms. Ashley Chapman called the roll. The following Directors were present: Nicole B. Cásarez, Anthony Graves, David M. Feldman, Janet Blancett, Dr. Stacey A. Mitchell, and Tom P. Allen (ex-officio).

The following Directors were absent: Dr. Robert "Bob" H. McPherson and Sandra Guerra Thompson.

Chairwoman Cásarez announced that a quorum of the Directors was present.

- E. Chairwoman Cásarez noted that a meeting of the Technical Advisory Group (TAG) would convene following the meeting of the Board of Directors on August 12th. She thanked the TAG for sharing their time and expertise and welcomed TAG member, Mr. John J. Lentini.
- F. Vice Chairwoman Thompson joined the meeting at approximately 9:04 a.m.
- G. Chairwoman Cásarez noted that a draft of the minutes of the Corporation's meeting on July 8, 2016 had been distributed to the board. Mr. Feldman made a motion to approve the minutes of the July 8, 2016 meeting, and the motion was seconded by Dr. Mitchell. The motion passed unanimously, and the minutes of the July 8, 2016 meeting were adopted.

- H. Chairwoman Cásarez asked if any members of the public wished to address the board. Chairwoman Cásarez noted that no one asked to address the board and the meeting continued.
- I. Chairwoman Cásarez provided a Chair's report. She thanked those involved with the National Forensic Science Week events. Chairwoman Cásarez noted that the symposium held on August 11th at the University of St. Thomas was a great success and thanked all who participated, including speakers Mr. Allen, Mr. Graves, and Dr. Mitchell and keynote speaker, Ms. Debbie Smith. Chairwoman Cásarez noted that the reception honoring the TAG on August 10th went well and thanked Ms. Blancett for her work as TAG liaison. She noted that the Houston Forensic Science Center (HFSC) crime scene open house event on August 9th and 10th received positive media coverage and was a great opportunity to raise awareness. Chairwoman Cásarez reported that she spoke at a Texas Criminal Defense Lawyers Association conference in Austin on August 5th about the importance of crime lab independence, and her talk was well received. She reported that she and Vice Chairwoman Thompson met with Council Member Robinson and his staff has prepared a briefing document to present to City Council based on the Center's needs assessment. Chairwoman Cásarez thanked Vice Chairwoman Thompson for speaking about the HFSC with Vivian King on the Truth and Justice program. Chairwoman Cásarez reported that although HFSC received the fourth quarter payment of the Fund 2213 FY'16 budget amount, City Finance has asked Mr. David Leach, HFSC's Treasurer and Chief Financial Officer (CFO), to provide details on how the funds were spent and to return any funds not traceable to the hiring of additional personnel. Chairwoman Cásarez noted that HFSC spent these funds in part on overtime and outsourcing in connection with the sexual assault kit project, which are not seen by City Finance as personnel costs. She noted that she has contacted the Mayor's office about this matter. She reported that the Houston Police Department (HPD) is dedicating the Northeast Police Station to former board member, Mr. Hiram A. "Art" Contreras, on August 26th and he has invited directors to attend.
- J. Mr. David Leach, Treasurer and CFO, presented a proposal to reallocate certain FY'16 budget funds according to HFSC's reallocation procedures, noting significant changes. Chairwoman Cásarez made a motion to approve the reallocation of FY'16 budget funds as presented by Mr. Leach, and Mr. Feldman seconded the motion. The motion passed unanimously.
- K. Dr. McPherson joined the meeting at approximately 9:19 a.m.
- L. Mr. Leach provided a Treasurer's report. He reviewed the FY'16 budget versus FY'16 actual and provided a detailed recap of FY'16. He reviewed the year-to-date (YTD) spending versus budget by major category, including employee costs by department, supply costs by department, HFSC services including management consulting costs, and fixed asset costs for FY'16. Mr. Leach reviewed the spending details for the period of July 1, 2015 through June 30, 2016, the YTD versus budget, and the full year budget amount and percentage spent YTD. Mr. Leach provided a report on the Center's grants as

of August 2016.

- M. Chairwoman Cásarez welcomed TAG member, Dr. Sargur N. Srihari.
- N. Mr. Leach presented the Procurement – Procedural Limits and Contractual Authorities for Fixed Assets policy. Vice Chairwoman Thompson made a motion to adopt the Procurement – Procedural Limits and Contractual Authorities for Fixed Assets policy as presented by Mr. Leach, and Ms. Blancett seconded the motion. The motion passed unanimously.
- O. Mr. Leach presented the Procurement – Procedural Limits and Contractual Authorities for Goods and Services (Non-fixed Assets) policy. Vice Chairwoman Thompson made a motion to adopt the Procurement – Procedural Limits and Contractual Authorities for Goods and Services (Non-fixed Assets) policy as presented by Mr. Leach, and Ms. Blancett seconded the motion. The motion passed unanimously.
- P. Dr. Garner, President and Chief Executive Officer, provided a President's report. He provided an update on HFSC's personnel and noted that the Center is interviewing candidates for the general counsel position. He reported that select employees within the biology section were awarded a Chief of Police Unit Citation for the work they completed on a serial rapist case and those individuals will be recognized at an awards ceremony on August 23rd. Dr. Garner reported that the Center has recently undergone five external reviews. He noted that HFSC released the report received from the external experts on the crime scene unit (CSU) to the COH, the District Attorney, and the HPD. Dr. Garner reported the HFSC's liaison with HPD, Captain Watkins, retired effective August 12th, and Chief McKinney will now fill the liaison role. Dr. Garner noted that Ms. Irma Rios, Director of the HFSC's Forensic Analysis Division, will serve as HFSC's liaison to HPD. He reported that HFSC had conversations with the Illinois State Department about potential collaboration opportunities. Additionally, HFSC was invited to present a video about its operations at the Internal Association of Chiefs of Police conference in October 2016 in San Diego. Dr. Garner reported that Ms. Rios was invited to attend the National Institute of Justice symposium on September 8th and that he was invited to the James Jordan Foundation meeting in Chicago. He noted that communication is ongoing with Mr. Icken regarding HFSC's facility needs.
- Q. Chairwoman Cásarez welcomed TAG member, Mr. Darrell L. Davis.
- R. Dr. Peter Stout, Vice President and Chief Operations Officer, provided an operations report. He compared the total average turnaround time (TAT), requests received, and total average process time from calendar year 2015 to 2016. Dr. Stout reviewed the average total TAT, backlogged requests, average process TAT, and wait gap over the past 24 months. He reported that the HFSC received a 150% increase in total requests for services across the fiscal year. Dr. Stout reported that Qualtrax was installed and onsite training was completed for main users. He reported that JusticeTrax was selected to implement a new laboratory information management system (LIMS) and a proposed contract will be presented at the September board meeting. Dr. Stout introduced Mr.

Pedro Ferreria, HFSC's new LIMS project manager. Dr. Stout provided an update on the activities and casework of all HFSC sections. He provided an update on facility issues, noted that HFSC will issue a security manual and a safety manual, and provided an update on the Lean Six Sigma project in the biology section.

S. Mr. Graves left the meeting at approximately 11:31 a.m.

T. Ms. Lori Wilson, Quality Director, provided a Quality Division Update for July 2016. She provided a report on the proficiency testing activity and an update on the blind quality control program. Ms. Wilson provided information on the incidents, corrective, and preventative actions throughout calendar year 2016 and an update on audits and inspections. She reported that assessors, selected by the American National Accreditation Board, began the required FBI Quality Assurance Standards for DNA Testing Laboratories external audit on August 8th. The audit was successfully completed on August 10th with only three non-technical non-conformances noted. Ms. Wilson provided an updated CSU accreditation timeline.

U. There being no other business, the meeting was ADJOURNED at 11:47 a.m.

Houston Forensic Science Center, Inc.

By: Ashley Chapman

Ashley Chapman

Secretary



HOUSTON FORENSIC SCIENCE CENTER
FINANCIAL POLICIES AND PROCEDURES

POLICY:	Procurement – Procedural Limits and Contractual Authorities for Fixed Assets	ISSUED BY:	Finance Division
APPROVED BY:	David Leach Chief Financial Officer	APPROVAL DATE:	
APPROVED BY:	Ron Sandberg Deputy General Counsel	APPROVAL DATE:	
APPROVED BY:	Daniel Garner President and CEO	APPROVAL DATE:	
APPROVED BY:	Nicole Cásarez Board of Directors Chair	APPROVAL DATE:	
EFFECTIVE DATE:		REVIEW DATE:	
REVISION EFFECTIVE DATE:		REVIEW DATE:	

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Policy Statement

Clearly defined procedures and authority limits for procuring fixed assets are critical for enabling the Houston Forensic Science Center (HFSC) to maintain an effective and efficient procurement system and obtaining best value. Procedures are also necessary for maintaining accurate financial records and physical control over fixed assets. This policy establishes procedures for procuring (by purchase or lease) fixed assets, as well as for recording, tracking and disposing of fixed assets. A separate policy addresses authority limits and procedures relating to procuring goods and services that are not fixed assets. This policy does not apply to construction projects.

Applicability

All members of the Board of Directors, Board of Directors Committee members, HFSC staff members, and temporary employees shall abide by this policy.

Policy Number: TBD
Approval Date:
Replaces Policy No.: N/A
Uncontrolled When Printed

Author: Ron Sandberg/David Leach
Revised Effective:
Next Review Due:

Purpose

The purpose of this policy is to establish procedures and authority limits to ensure that:

- A. All purchase order and other Contract transactions are conducted in a manner that is consistent with HFSC's objectives for acquiring fixed assets, the City of Houston's procurement policies, state procurement laws; and other applicable legal requirements;
- B. HFSC complies with the City of Houston's (City) minority/women, disadvantaged business enterprise policies, in accordance with the corporation's Certificate of Formation, Resolution No. 2013-004, and the First Interlocal Agreement between the corporation and the City; and
- C. An appropriate balance exists between enabling HFSC personnel to purchase fixed assets that are necessary for them to perform their jobs and the necessity for HFSC to spend its limited funds effectively and efficiently.

Therefore, the following limitations are in place.

Definitions

- A. **Board of Directors** -- the HFSC Board of Directors.
- B. **Board of Directors Committee** -- those HFSC division directors, managers, supervisors, staff members, temporary employees, and others who serve on a HFSC Board of Directors Committee.
- C. **Chief Executive Officer** -- the president and chief executive officer (CEO) of HFSC or his/her designee.
- D. **Chief Financial Officer** -- the chief financial officer (CFO) of HFSC or his/her designee.
- E. **Chief Operations Officer** -- the chief operations officer (COO) of HFSC or his/her designee.
- F. **City Contract Item** -- any item that HFSC can purchase through a City of Houston contract with a vendor, pursuant to an agreement between HFSC and the City.
- G. **Civilian** -- a person providing services under the management responsibility of HFSC, but employed by the City of Houston in a job classification other than a sworn peace officer.
- H. **Classified** -- a person providing services under the management responsibility of HFSC, but employed by the City of Houston in a sworn peace officer job classification.
- I. **Contract** -- a purchase order or other document which is signed on behalf of HFSC and creates legal obligations on HFSC.
- J. **Director** -- a member of the Board of Directors.
- K. **Division Director** -- any manager responsible for one of the HFSC divisions.
- L. **Employee** -- a person directly employed by and on the payroll of HFSC.
- M. **Fixed Asset** -- any tangible property with a useful life greater than 1 year and value greater than \$5,000.
- N. **Formal Bid or Proposal** -- sealed bid or proposal to provide fixed assets valued at greater than \$50,000.
- O. **Informal Bid** -- a bid to provide fixed assets valued at greater than \$3,000 and equal to or less than \$50,000.
- P. **Procurement Specialist** -- a staff member who prepares purchase orders and other Contracts, makes purchases within limits with a purchasing card, and assists with documentation concerning procurement.
- Q. **SAM** -- System for Award Management (<http://www.sam.gov/>).
- R. **Section Manager** -- any staff member with responsibilities that include supervision and management of other staff members in a section of a division.
- S. **Sole Source Procurement** -- purchases available only from a single vendor because other equivalent fixed assets are not available.
- T. **Staff Member** -- any person who is a civilian, classified, or employee.

Responsibilities

- A. **Board Chair or Vice-Chair** -- The chair or vice-chair of the Board of Directors or their designees are responsible for overseeing the administration of this policy.
- B. **Chief Executive Officer** -- The CEO is responsible for administering the policy as it relates to staff members and temporary employees, implementing processes and procedures to ensure that the policy is followed, and monitoring compliance with the policy.

- C. Chief Operating Officer -- The COO is responsible for ensuring that this policy is clearly articulated and disseminated and for assisting the CEO in carrying out his/her responsibilities regarding the policy.
- D. Chief Financial Officer -- The CFO is responsible for articulating and disseminating processes and procedures regarding this policy and for providing guidance regarding ongoing compliance with the policy.
- E. Division Directors -- Division directors are responsible for oversight in the administration of the policy and for providing division-level direction for compliance.
- F. Procurement Specialist -- The Procurement Specialist is responsible to ensure proper procurement in accordance with this policy with regard to Contracts, including the issuance and documentation of purchase orders and the use of the purchasing card.
- G. Staff Members -- Staff members are accountable for compliance with this policy and the processes and procedures set forth herein and the guidance issued by the CFO.

Procedures for Procurement of Fixed Assets

- A. **Introduction: Exceptions to competitive procurement include procurement through cooperative purchasing programs, procurement from sole source suppliers, and procurement of professional services. See subsections B, C and D immediately below.**
- B. **Cooperative Purchasing Programs**
 - 1) Regardless of the procurement's dollar value, HFSC may make the procurement through a cooperative purchasing program in which competitive pricing and value has already been established and the resulting procurement will be the best value for HFSC. Such cooperative programs include the State of Texas Cooperative Purchasing Program (CO-OP, which is also known as TXSmartbuy). Another possibility is to make the procurement through the City of Houston's City Contract Items program. Procurement through such a cooperative purchasing program satisfies the Texas requirement concerning seeking competitive bids.
 - 2) The person who signs the Contract (in accordance with the authority limits in the table below) shall ensure that a written explanation is placed in the file, documenting why the exception to competitive procurement applies.
- C. **Sole Source**
 - 1) Regardless of the procurement's dollar value, HFSC may make a Sole Source Procurement from a single vendor when equivalent fixed assets are not available.
 - 2) The person who signs the Contract (in accordance with the authority limits in the table below) shall ensure that a written explanation is placed in the file, documenting why the exception to competitive procurement applies.
- D. **Professional Services**
 - 1) Professional services are those services that can be performed competently only by a person or persons having a special skill, expertise, education, or knowledge that is primarily mental or intellectual in nature rather than physical or manual.
 - 2) HFSC may procure professional services without competition.
 - 3) HFSC shall select a provider of professional services on the basis of:
 - a. Demonstrated competence and qualifications to perform the services, and
 - b. A fair and reasonable price, as determined by the HFSC person authorized by this policy to sign the Contract.
 - 4) The person who signs the Contract (in accordance with the authority limits in the table below) shall ensure that a written explanation is placed in the file, documenting why the exception to competitive procurement applies.
- E. **Informal Bid(s)** -- Unless an exception to competitive procurement applies, HFSC shall seek to obtain the best value through an informal bidding process for one-time purchases when the total cost of a fixed asset is greater than \$5,000 and equal to or less than \$50,000. When purchasing

such fixed assets that are not City Contract Items, the following procedures shall be followed. HFSC shall:

- 1) Pursue informal bids from capable vendors listed in the City's Minority, Women and/or Small Business Enterprises and Persons with Disabilities Business Enterprises and Disadvantaged Business Enterprises (MWSBE/PDBE and DBE) Directory.
 - 2) Request written bids as follows:
 - a. If there are three or more certified vendors listed in the MWSBE/PDBE and DBE Directory for the specific fixed assets needed, the originating HFSC division shall contact a minimum of three of those vendors.
 - b. If there are fewer than three certified vendors listed in the MWSBE/PDBE and DBE Directory for the specific fixed assets needed, the originating HFSC division shall consult the State of Texas Historically Underutilized Business (HUB) Directory to determine if there are any locally certified HUBs eligible to bid on the project.
 - c. If the two immediately preceding steps do not result in soliciting three potential vendors, the originating HFSC division shall contact the identified vendors plus one or more non-MWSBE/PDBE and DBE vendors to make a total of at least three vendor contacts.
 - 3) Evaluate and determine the lowest bid that meets bid specifications.
- F. *Formal Bids* – Unless an exception to competitive procurement applies, HFSC shall seek to obtain the best value for one-time purchases to secure goods and/or services valued at greater than \$50,000 by using a method of either competitive sealed bidding or competitive sealed proposals.
- 1) HFSC personnel shall obtain advice from HFSC's legal counsel concerning the state law requirements for newspaper notification and other aspects of the method, including the requirements of TX Local Govt. Code section 252.041.
 - 2) When purchasing goods and/or services that are not City Contract Items, the HFSC requestor shall provide the purchasing specialist the following:
 - a. Detailed specifications or a Scope of Work
 - b. Justification for the purchase
 - c. If available, one quote from a potential vendor
 - d. Approval by the appropriate HFSC personnel per this policy for the initiation of the competitive procurement process
 - 3) By adopting this policy, the Board of Directors delegates to the Corporation's Chief Financial Officer the Board's authority to determine whether the competitive sealed proposals method provides the best value to HFSC, as compared to the competitive sealed bid method.
- G. *Grant-funded Procurement*
- 1) In addition to the procedures described in this policy, HFSC will comply with all procurement requirements in the grant applicable to the funding for the procurement. If grant requirements are more stringent than those found elsewhere in this policy, grant requirements shall be followed.
 - 2) Verification of "Excluded Parties List" – For purchases using Federal grant funds, the procurement specialist shall ensure the supplier (company or individual) is not on the "Excluded Parties List" that can be found at <http://www.sam.gov/>. The procurement specialist shall place appropriate documentation in the file.
- H. *Buy vs. Lease Decision*
- 1) Where leasing is an option, the HFSC Finance Department will analyze the economic value of leasing the fixed Asset instead of purchasing and make a recommendation to the CEO for determination.

- I. *Authorization Limits for Contracts involving Purchases within Approved Budgeted Limits*
- 1) For items that are within approved budgeted limits, see the table below. In the "HFSC Personnel Level" column, with respect to each dollar range, each of the listed persons must approve the procurement and the person whose title is underlined is the person with authority to sign the Contract.

Purchase Authority Limit	
\$5,001 to \$15,000	Section manager and <u>division director</u>
\$15,001 to \$50,000	Section manager, division director and <u>COO</u>
\$50,001 to \$100,000	Section manager, division director, COO and <u>CFO</u>
Purchase Authority Limit	HFSC Personnel Level
\$100,001 to \$200,000	Section manager, division director, COO, CFO and <u>CEO</u>
All purchase orders > \$200,000	Section manager, division director, COO, CFO, CEO and <u>chair or vice-chair of the Board of Directors</u>

- 2) Contracts shall not be divided into separate purchase orders or invoices so that lesser authorization limits will be in effect.
 - 3) If the CFO discovers instances that appear, whether intentional or not, to be dividing requisitions to avoid proper authorization, he or she has the authority to require the higher level of authorization required should the individual requisitions be combined.
 - 4) Any attempt by an HFSC staff member to conduct business with subdivided Contracts, purchase orders or invoices so as to avoid obtaining required authorizations will result in disciplinary action up to and including termination of employment.
- J. *Authorization Limits for Contracts involving Purchases Exceeding Approved Budgeted Limits*
- 1) A staff member of HFSC is strictly forbidden from entering into a commitment that exceeds approved budgeted amounts.
 - 2) Therefore, all purchases that are not included in the approved budget must first obtain Board of Directors' approval. Once such approval is obtained, the guidelines in section "I" above for purchases within approved budgeted limits shall apply.

Procedures for Recording, Tracking and Disposing of Fixed Assets

- A. The purpose of this portion of the policy is to put in place processes and procedures to provide reasonable assurance that:
- 1) Assets purchased are properly classified as either fixed assets or current assets, in accordance with both generally accepted accounting principles (GAAP) and HFSC capitalization thresholds.
 - 2) The costs related to fixed assets, specifically depreciation, is accounted for completely, accurately, and on a timely basis and that such costs are assigned to the proper HFSC cost center.
 - 3) Impairments in fixed Asset values, usefulness, etc. are recognized, calculated, and recorded in financial records in accordance with GAAP.

- 4) Disposition of fixed assets (through retirement, sale, transfer, casualty loss, etc.) are accounted for and recorded in financial records in accordance with GAAP.
 - 5) Physical assets can be located, identified, and reconciled to accounting records.
- B. Therefore, the HFSC Finance Division will ensure that the following procedures are followed.
- 1) Asset Classification and Recording
 - a. All assets, except computer software, that have an estimated useful life greater than twelve months, and a cost greater than \$5,000 should be recorded as fixed assets.
 - b. Software purchased from third party vendors should be capitalized if its cost is \$100,000 or more.
 - c. Software developed internally should be capitalized if its cost is \$1,000,000 or more.
 - d. If an asset is built of several different components, the cumulative costs of all components should be used in determining whether an asset should be capitalized.
 - e. If one component of an asset that is being depreciated as a system is retired and replaced, the new component should be depreciated over the remaining estimated useful life of the system.
 - f. Regular maintenance and repair costs should be expensed as they occur. However, if a major refurbishment or upgrade is made to an asset, such as a piece of laboratory equipment, and that upgrade increases the value, service ability or useful life of the asset, some or all of the costs of the upgrade may be capitalized.
 - g. Transfers of fixed assets between HFSC departments should not result in any changes in the recorded value of the asset.
 - h. Transfers or donations of assets from the City of Houston or other organizations should be recorded at the lower of the depreciated cost of the asset in the donating organization's financial records or fair market value, if it can be determined.
 - i. In general, all costs incurred to acquire a fixed asset (in accordance with GAAP) (price paid, taxes, commissions, installation costs, etc.) should be used to calculate the historical or recorded cost of the asset.
 - j. A fixed asset record should be created for each Fixed Asset and recorded in the property register, fixed asset inventory database, etc. The record should contain all information relevant to the asset (acquisition date, cost, acquiring department, description, serial number, etc.)
 - k. All tangible fixed assets are to be given a fixed asset tag upon receipt.
 - 2) Establishing Estimated Useful Life and Salvage Value
 - a. Useful life is an estimate of the average number of years an asset is considered useable before its value is fully depreciated. In reality, an individual asset or all assets in that class may remain in service for periods greater or less than their estimated useful life. Estimated useful life is intended to provide the period over which an asset should be depreciated and charged to expense.
 - b. Salvage value is the estimated resale value of an asset at the end of its useful life. Salvage value is subtracted from the cost of a fixed asset to determine the amount of the asset cost that will be depreciated. Thus, salvage value is used as a component of the depreciation calculation.
 - c. For HFSC, estimating useful life and salvage value for some assets can be very difficult due to the pace at which new technologies arise and make equipment currently in use obsolete, the field conditions in which some equipment may be used, etc. Because of this, HFSC utilizes a variety of sources and methodologies to estimate useful lives and salvage values, including, but not limited to:

- HFSC/HPD prior experience with assets of that type.
 - Standards set forth by professional societies.
 - Estimates used by other forensic science centers operating within Texas and/or the United States.
 - Manufacturers' guidelines and estimates.
- d. HFSC often purchases equipment which is dependent upon sophisticated software to function. In cases where the equipment and software are interdependent, HFSC will use the estimated useful life of the software or equipment with the shorter estimated useful life. Generally the software has a shorter estimated useful life.
 - e. There is a very limited after market value for the types of equipment that HFSC uses. In many cases, fixed assets used by HFSC will have no market value at the end of their useful lives. For that reason, unless there is strong and convincing evidence that an asset will have a material salvage value, the HFSC assigns a \$0 salvage value to all fixed assets.
 - f. Unless there is evidence to the contrary, the useful life assumptions for purposes of depreciation are as follows:

Asset Type	Useful Life
Buildings	40 years
Building/Leasehold improvements	20 years
Furniture, Fixtures and Equipment:	
Audio, Visual, Photo, Multimedia	7 years
Laboratory, Medical, Scientific	15 years
Office, Facility furniture, fixtures & Equipment	7 years
Vehicles	7 years
Computer Hardware:	
CPU – Desktop / Laptop	5 years
Servers/Switches/Mainframe	7 years
Communication Systems	7 years

3) Depreciation Expense and Accumulated Depreciation

- a. Depreciation expense is a method of allocating the cost of a tangible asset over its useful life. Depreciation is used in accounting to try to match the expense of an asset to the income that the asset helps the company earn.
- b. Accumulated depreciation is the cumulative depreciation of an asset up to a single point in its life. The depreciation of an asset during a single period is added to the previous period's accumulated depreciation to get the current accumulated depreciation. An asset's carrying value on the balance sheet is the difference between its purchase price and accumulated depreciation.
- c. Under generally accepted accounting principles, there are several methods that can be used to calculate depreciation expense. HFSC has opted to use the straight line method of depreciation. Under this method, annual depreciation expense is calculated as follows:

$$\text{Annual Depreciation Expense} = \frac{\text{Total Asset Cost} - \text{Estimated Salvage Value (if any)}}{\text{Useful Life in Years}}$$
- d. Recording depreciation expense should begin when an asset is placed into service. Recording depreciation expense should cease when the asset is fully depreciated or when it is sold, pulled from service, lost, stolen or destroyed.
- e. If an asset is refurbished to the extent that its functionality improves or its useful life is extended, the cost of such refurbishment can be depreciated. The revised

asset value to be depreciated should be the sum of the net book value of the asset immediately prior to refurbishment plus the refurbishment costs allocated over the remaining useful life of the asset.

- f. Regular maintenance and repair costs are not to be added to the assets value. These are to be accounted for as current expenses.

C. Asset Location, Identification and Reconciliation

- 1) The key functions of accounting for fixed assets include the ability to locate and identify individual fixed assets and reconciling property records to financial records such as the general ledger. Mobility and transferability may make locating and identifying some assets a challenge. Therefore, it is important that from the time an asset is acquired until the time it is retired, sold, etc. procedures and controls be in place to make location, identification, and reconciliation both possible and affordable.
- 2) It is HFSC policy that all fixed assets be specifically identified and recorded in a property register at acquisition/placement into service. At the present time, HFSC is using a series of Excel spreadsheets as a Fixed Asset Register. The information recorded should generally include information such as:
 - Category of asset
 - Specific asset description (make, model, serial number, etc.)
 - Acquisition date/date placed in service
 - Total acquisition cost
 - Department/Cost Center receiving asset
 - General ledger account to which the asset will be recorded
 - Estimated salvage value, if any
 - Estimated useful life
- 3) Subsequent to acquisition/placement into service, the asset record should be updated for items such as:
 - Significant renovation or upgrade to the asset
 - The date(s) the asset was located and identified in a physical inventory of assets
 - Any damage(s) to the asset
 - Inter-departmental transfer of the asset
 - Asset Disposition
- 4) Once every three years (two years in the case of assets purchased with grant funds) a full physical inventory of all fixed assets is required. Any differences in physical asset counts to fixed asset records should be investigated. Financial records such as the property register and the general ledger should be adjusted for findings, as necessary.
- 5) Assets purchased with grant funds no matter what the value will be tagged and tracked in a manner consistent with these policies for assets greater than \$5,000 when the grantor requires notification before the asset is disposed.
- 6) Tagging of assets whose value is less than \$5,000 and thus by policy is not considered a fixed asset, will not be given a fixed asset tag unless the individual department determines, for reasons other than the accuracy of the financial records, that so doing is of benefit to their department. An example of this is computers, printers or other electronic equipment that an HFSC department chooses to track by using unique tags.
- 7) The benefit derived from tracking assets under \$5,000 with individual tags does not outweigh the direct and indirect cost of the same. Therefore HFSC as a matter of policy only requires the tracking of fixed assets.

D. Asset Impairment

- 1) There are times when a fixed asset may clearly be worth less than its recorded net book value. Indicators of an impairment in asset value are:
 - Evidence of physical damage over and above normal wear and tear

- Changes in legal or environmental factors that make the asset no longer usable or of much more limited use
 - Technological changes or obsolescence. For example, testing equipment that can still be used but is less effective or efficient than newer, more accurate equipment.
 - Changes in manner or duration of use. For example, a computer originally purchased to maintain and access large databases that is now used for typical office functions.
- 2) The fact that the net book value of a fixed asset exceeds its fair market value does not mean that an impairment has occurred. In fact, an asset in use by HFSC may have little or no market value outside of HFSC operations. However, that asset may be used consistently and reliably in HFSC operations, may be very costly to replace, or may be used for an alternative, productive purpose. Likewise, only the impact of permanent impairments should be recognized in the financial statements. Temporary impairments should not be recognized in the financial statements.
 - 3) If HFSC management determines that the value of a fixed asset has been permanently impaired, the decrease in value should be recognized in HFSC financial statements. If the asset is removed entirely from service, the value should be written down to \$0 or salvage value, if any. If the asset remains in service, its value should be written down to its fair value.

E. Asset Disposition

- 1) At some point in time, most fixed assets will be disposed. Disposition may come before, on, or subsequent to the end of the asset's estimated useful life. Reasons for disposition may include (but are not limited to):
 - The planned retirement of the asset consistent with the asset reaching the end of its estimated useful life.
 - Loss of the asset due to accident, theft, misplacement, etc.
 - The deterioration of the asset's ability to perform its intended function.
 - Cost inefficiencies involved in using the asset (maintenance costs, software license fees and upgrades, etc.)
 - The obsolescence of the asset brought about by new and improved technologies.
 - Management's decision to sell, transfer, or donate the asset to another organization.
- 2) All asset sales and asset transfers to outside parties regardless of net book value, sales price, etc. must be approved by the Chief Operating Officer or the Chief Executive Officer. Proposals to sell or transfer assets must be accompanied by documents that state the business purpose of the sale/transfer, how the sale price was determined, independent estimates of fair market value, etc.
- 3) When an asset is disposed of, both the asset and accumulated depreciation related to the asset should be removed from financial records such as the general ledger. However, the fixed asset record in the property register should remain for at least a period of 5 years and the reason for disposition should be noted on the record.
- 4) A gain or loss may be realized on the asset if it is sold for an amount greater or less than net book value. Such gains or losses should be recognized in the financial statements in the year in which they occur.
- 5) A gain or loss may also be recognized if the asset is lost due to accident, theft, etc. that is covered by insurance. The amount of gain or loss will be determined by comparing the amount of insurance proceeds, if any, to the net book value of the asset at date of loss.
- 6) If an asset is retired and disposed of (not sold) at the end of its useful life, it should be fully depreciated. Normally, no gain or loss will be recognized unless a salvage value had been assigned to the asset at acquisition date.

- 7) If an asset is retired and disposed of (not sold) before the end of its useful life, it is likely that a loss will be recognized equal to the amount of remaining net book value at disposition date.
- 8) Insurance, if any, on the disposed asset should be canceled effective with the disposal date.

Compliance

Compliance with the policy is an ongoing requirement; each staff member is accountable for ensuring his/her compliance.



HOUSTON FORENSIC SCIENCE CENTER
FINANCIAL POLICIES AND PROCEDURES

POLICY:	Procurement - Procedural Limits and Contractual Authorities for Goods and Services (Non-fixed Assets)	ISSUED BY:	Finance Division
APPROVED BY:	David Leach Chief Financial Officer	APPROVAL DATE:	
APPROVED BY:	Ron Sandberg Deputy General Counsel	APPROVAL DATE:	
APPROVED BY:	Daniel Garner President and CEO	APPROVAL DATE:	
APPROVED BY:	Nicole Casarez Board of Directors Chair	APPROVAL DATE:	
EFFECTIVE DATE:		REVIEW DATE:	
REVISION EFFECTIVE DATE:		REVIEW DATE:	
<i>Note: Copies are uncontrolled when printed.</i>			
<i>Staff members using printed copies should verify with the Human Resources Division that they are using the correct version.</i>			

Policy Statement

Clearly defined procedures and authority limits for procuring goods and services are critical for enabling the Houston Forensic Science Center (HFSC) to maintain an effective and efficient procurement system and obtaining best value. This policy establishes procedures for procuring (by purchase or lease) goods and services other than fixed assets. A separate policy addresses authority limits and procedures relating to procuring fixed assets and the tracking and disposing of fixed assets.

This policy does not apply to “services” provided by HFSC staff members, or the staffing contracts, compensation, or payroll issues related to such personnel. Nor does this policy apply to construction projects.

Applicability

All members of the Board of Directors, Board of Directors Committee members, HFSC staff members, and temporary employees shall abide by this policy.

Policy Number: TBD
Approval Date:
Replaces Policy No.: N/A
Uncontrolled When Printed

Author: Ron Sandberg/David Leach
Revised Effective:
Next Review Due:

Purpose

The purpose of this policy is to establish procedures and authority limits to ensure that:

- A. All purchase order and other contract transactions are conducted in a manner that is consistent with HFSC's objectives for acquiring goods and services, the City of Houston's procurement policies, state procurement laws; and other applicable legal requirements;
- B. HFSC complies with the City of Houston's (City) minority/women, disadvantaged business enterprise policies, in accordance with the corporation's Certificate of Formation, Resolution No. 2013-004, and the First Interlocal Agreement between the corporation and the City; and
- C. An appropriate balance exists between enabling HFSC personnel to purchase goods and services that are necessary for them to perform their jobs and the necessity for HFSC to spend its limited funds effectively and efficiently.

Therefore, the following limitations are in place.

Definitions

- A. **Board of Directors** -- the HFSC Board of Directors.
- B. **Board of Directors Committee** -- those HFSC division directors, managers, supervisors, staff members, temporary employees, and others who serve on a HFSC Board of Directors Committee.
- C. **Chief Executive Officer** -- the president and chief executive officer (CEO) of HFSC or his/her designee.
- D. **Chief Financial Officer** -- the chief financial officer (CFO) of HFSC or his/her designee.
- E. **Chief Operations Officer** -- the chief operations officer (COO) of HFSC or his/her designee.
- F. **City Contract Item** -- any item that HFSC can purchase through a City of Houston contract with a vendor, pursuant to an agreement between HFSC and the City.
- G. **Civilian** -- a person providing services under the management responsibility of HFSC, but employed by the City of Houston in a job classification other than a sworn peace officer.
- H. **Classified** -- a person providing services under the management responsibility of HFSC, but employed by the City of Houston in a sworn peace officer job classification.
- I. **Contract** -- a purchase order or other document which is signed on behalf of HFSC and creates legal obligations on HFSC.
- J. **Director** -- a member of the Board of Directors.
- K. **Division Director** -- any manager responsible for one of the HFSC divisions.
- L. **Employee** -- a person directly employed by and on the payroll of HFSC.
- M. **Fixed Asset** -- any tangible property with a useful life greater than 1 year and value greater than \$5,000.
- N. **Formal Bid or Proposal** -- sealed bid or proposal to provide goods or services valued at greater than \$50,000.
- O. **Informal Bid** -- a bid to provide goods or services valued at greater than \$3,000 and equal to or less than \$50,000.
- P. **Procurement Specialist** -- a staff member who prepares purchase orders and other contracts, makes purchases within limits with a purchasing card, and assists with documentation concerning procurement.
- Q. **SAM** -- System for Award Management (<http://www.sam.gov/>).
- R. **Section Manager** -- any staff member with responsibilities that include supervision and management of other staff members in a section of a division.
- S. **Sole Source Procurement** -- purchases available only from a single vendor because other equivalent goods or services are not available.
- T. **Staff Member** -- any person who is a civilian, classified, or employee.

Responsibilities

- A. **Board Chair or Vice-Chair** -- The chair or vice-chair of the Board of Directors or their designees are responsible for overseeing the administration of this policy.

- B. Chief Executive Officer -- The CEO is responsible for administering the policy as it relates to staff members and temporary employees, implementing processes and procedures to ensure that the policy is followed, and monitoring compliance with the policy.
- C. Chief Operating Officer -- The COO is responsible for ensuring that this policy is clearly articulated and disseminated and for assisting the CEO in carrying out his/her responsibilities regarding the policy.
- D. Chief Financial Officer -- The CFO is responsible for articulating and disseminating processes and procedures regarding this policy and for providing guidance regarding ongoing compliance with the policy.
- E. Division Directors -- Division directors are responsible for oversight in the administration of the policy and for providing division-level direction for compliance.
- F. Procurement Specialist -- The Procurement Specialist is responsible to ensure proper procurement in accordance with this policy with regard to contracts, including the issuance and documentation of purchase orders and the use of the purchasing card.
- G. Staff Members -- Staff members are accountable for compliance with this policy and the processes and procedures set forth herein and the guidance issued by the CFO.

Procedures

- A. **Introduction: Exceptions to competitive procurement include procurement through cooperative purchasing programs, procurement from sole source suppliers, and procurement of professional services. See subsections B, C and D immediately below.**
- B. *Cooperative Purchasing Programs*
 - 1) Regardless of the procurement's dollar value, HFSC may make the procurement through a cooperative purchasing program in which competitive pricing and value has already been established and the resulting procurement will be the best value for HFSC. Such cooperative programs include the State of Texas Cooperative Purchasing Program (CO-OP, which is also known as TXSmartbuy). Another possibility is to make the procurement through the City of Houston's City Contract Items program. Procurement through such a cooperative purchasing program satisfies the Texas requirement concerning seeking competitive bids.
 - 2) The person who signs the contract (in accordance with the authority limits in the table below) shall ensure that a written explanation is placed in the file, documenting why the exception to competitive procurement applies.
- C. *Sole Source*
 - 1) Regardless of the procurement's dollar value, HFSC may make a Sole Source Procurement from a single vendor when equivalent goods or services are not available.
 - 2) The person who signs the contract (in accordance with the authority limits in the table below) shall ensure that a written explanation is placed in the file, documenting why the exception to competitive procurement applies.
- D. *Professional Services*
 - 1) Professional services are those services that can be performed competently only by a person or persons having a special skill, expertise, education, or knowledge that is primarily mental or intellectual in nature rather than physical or manual.
 - 2) HFSC may procure professional services without competition.
 - 3) HFSC shall select a provider of professional services on the basis of:
 - a. Demonstrated competence and qualifications to perform the services, and
 - b. A fair and reasonable price, as determined by the HFSC person authorized by this policy to sign the contract.
 - 4) The person who signs the contract (in accordance with the authority limits in the table below) shall ensure that a written explanation is placed in the file, documenting why the exception to competitive procurement applies.

- E. *Written Reports from Consultants* - When procuring consulting services, the person who signs the contract (in accordance with the authority limits in the table below) shall ensure that the contract provides that HFSC may withhold the final 25% of the contract amount until the consultant provides to HFSC a written report of the consultant's activities, conclusions, and recommendations in connection with the contract.
- F. *Informal Bid(s)* – Unless an exception to competitive procurement applies, HFSC shall seek to obtain the best value through an informal bidding process for one-time purchases when the total cost of an item or service is greater than \$3,000 and equal to or less than \$50,000. When purchasing such goods or services that are not city contract items, the following procedures shall be followed. HFSC shall:
- 1) Pursue informal bids from capable vendors listed in the City's Minority, Women and/or Small Business Enterprises and Persons with Disabilities Business Enterprises and Disadvantaged Business Enterprises (MWSBE/PDBE and DBE) Directory.
 - 2) Request written bids as follows:
 - a. If there are three or more certified vendors listed in the MWSBE/PDBE and DBE Directory for the specific goods or services needed, the originating HFSC division shall contact a minimum of three of those vendors.
 - b. If there are fewer than three certified vendors listed in the MWSBE/PDBE and DBE Directory for the specific goods or services needed, the originating HFSC division shall consult the State of Texas Historically Underutilized Business (HUB) Directory to determine if there are any locally certified HUBs eligible to bid on the project.
 - c. If the two immediately preceding steps do not result in soliciting three potential vendors, the originating HFSC division shall contact the identified vendors plus one or more non-MWSBE/PDBE and DBE vendors to make a total of at least three vendor contacts.
 - 3) Evaluate and determine the lowest bid that meets bid specifications.
- G. *Formal Bids* – Unless an exception to competitive procurement applies, HFSC shall seek to obtain the best value for one-time purchases to secure goods and/or services valued at greater than \$50,000 by using a method of either competitive sealed bidding or competitive sealed proposals.
- 1) HFSC personnel shall obtain advice from HFSC's legal counsel concerning the state law requirements for newspaper notification and other aspects of the method, including the requirements of TX Local Govt. Code section 252.041.
 - 2) When purchasing goods and/or services that are not City contract items, the HFSC requestor shall provide the purchasing specialist the following:
 - a. Detailed specifications or a Scope of Work
 - b. Justification for the purchase
 - c. One quote
 - d. Approval by the appropriate HFSC personnel per this policy for the initiation of the competitive procurement process
 - 3) By adopting this policy, the Board of Directors delegates to the Corporation's Chief Financial Officer the Board's authority to determine whether the competitive sealed proposals method provides the best value to HFSC, as compared to the competitive sealed bid method.
- H. *Grant-funded Procurement*
- 1) In addition to the procedures described in this policy, HFSC will comply with all procurement requirements in the grant applicable to the funding for the procurement. If grant requirements are more stringent than those listed elsewhere in this policy, grant requirements shall be followed.

- 2) Verification of “Excluded Parties List” – For purchases using Federal grant funds, the procurement specialist shall ensure the supplier (company or individual) is not on the “Excluded Parties List” that can be found at <http://www.sam.gov/>. The procurement specialist shall place appropriate documentation in the file.

I. *Authorization Limits for Contracts involving Purchases within Approved Budgeted Limits*

- 1) For items that are within approved budgeted limits, see the table below. In the “HFSC Personnel Level” column, with respect to each dollar range, each of the listed persons must approve the procurement and the person whose title is underlined is the person with authority to sign the contract.

Purchase Authority Limit	HFSC Personnel Level
≤\$5,000	<u>Section manager</u>
\$5,001 to \$15,000	Section manager and <u>division director</u>
\$15,001 to \$50,000	Section manager, division director and <u>COO</u>
\$50,001 to \$100,000	Section manager, division director, COO and <u>CFO</u>
\$100,001 to \$200,000	Section manager, division director, COO, CFO and <u>CEO</u>
All purchase orders > \$200,000	Section manager, division director, COO, CFO, CEO and <u>chair or vice-chair of the Board of Directors</u>

- 3) Contracts shall not be divided into separate purchase orders or invoices so that lesser authorization limits will be in effect.
- 4) If the CFO discovers instances that appear, whether intentional or not, to be dividing requisitions to avoid proper authorization, he or she has the authority to require the higher level of authorization required should the individual requisitions be combined.
- 5) Any attempt by an HFSC staff member to conduct business with subdivided contracts, purchase orders or invoices so as to avoid obtaining required authorizations will result in disciplinary action up to and including termination of employment.

J. *Authorization Limits for Contracts involving Purchases Exceeding Approved Budgeted Limits*

- 1) A staff member of HFSC is strictly forbidden from entering into a commitment that exceeds approved budgeted amounts.
- 2) Therefore, all purchases that are not included in the approved budget must first obtain Board of Directors' approval. Once such approval is obtained, the guidelines in section “I” above for purchases within approved budgeted limits shall apply.

Compliance

Compliance with the policy is an ongoing requirement; each staff member is accountable for ensuring his/her compliance.