

SYSTEM POLICY

GEN-05 – Procurement, Management and Disposal of Products

Owner: Supply Chain

Key Points

- This policy applies to all MetroHealth System (MHS) facilities and work locations, and to Workforce Members¹ and visitors.
- This policy establishes procurement methods and procedures that maintain prudent control of expenditures and accountability for procurement activities.

Policy

1. The MetroHealth System (MHS) procures Products³ and Services² for operations and improvements at the lowest price that best meets our requirements and in accordance with all applicable federal and state laws.
2. Procurement Authority:
 - 2.1. The expenditure of MHS funds for any procurement under this policy receives the approval of the Board of Trustees of MHS (the “Board”) through an annual capital or operating budget, or a resolution, or any other procedure formally adopted by the Board to indicate such approval.
 - 2.2. Only those MHS representatives with a formal delegation of signature authority from the Board or the MHS President and Chief Executive Officer may execute documents associated with procurement on behalf of MHS.
 - 2.3. Delegation of signing authority for Supply Chain and purchasing contracts:
 - 2.3.1. Per delegation of signature authority signed by the MHS President and Chief Executive Officer on November 30, 2015, the Director of Supply Chain may execute documents associated with procurement on behalf of MHS.
 - 2.3.2. In the event of the temporary absence of the Director of Supply Chain, signing authority is delegated (per written instruction) to the Senior Manager, Purchasing.
 - 2.3.3. In the event of the temporary absence of both the Director of Supply Chain and the Senior Manager, Purchasing, signing authority is delegated (per written instruction) to a Contract Specialist.
 - 2.4. Where MHS procures Products for capital improvements as authorized by the Board, MHS may employ any conventional financing and payment arrangement, including but not limited to ordinary leases, lease purchase arrangements, and sale with lease back arrangements, provided that such financing or payment may not encumber any MHS Property⁴ except as permitted by law.
3. General Standards for Procurement:
 - 3.1. All procurement arrangements, negotiations and contract administration are to be conducted in an ethical manner and in accordance with this policy and other MHS policies as applicable.
 - 3.2. For the purpose of acquiring Products or Services routinely used in MHS operations, MHS may seek membership and participate in either:
 - 3.2.1. One or more Group Purchasing Organizations (each a “GPO”) for all Products and Services available through such GPOs, provided that the terms and conditions of such participation, and

- the GPO's policies and procedures, are evaluated and determined to be in the best interest of MHS; and,
- 3.2.2. One or more State or Federal contracts for purchase of all Products and Services available through such contracts
 - 3.3. MHS procures Products and Services from diverse, local and regional Business Partners⁵, Suppliers⁶ and Vendors⁷, provided that the Product or Service is consistent with quality, prices and Products or Services available elsewhere.
 - 3.4. Except as stated below, a Purchase Requisition⁸ is necessary for any procurement (with the exception of those Products and Services that do not require a Purchase Order⁹; reference Attachment A "List of Certain Exempt Items"), and:
 - 3.4.1. Be submitted electronically using an Infor/Lawson purchase requisition;
 - 3.4.2. Be approved by the appropriate individual(s) authorized to commit MHS funds as stated in MHS Signature Policy Regarding Administrative Matters (GEN-39) and as programmed within the Infor/Lawson purchase requisition approval flow;
 - 3.4.3. Be complete and accurate in content; and,
 - 3.4.4. Include all appropriate supporting documentation and price quotations.
 - 3.5. Products may be received for Emergency Use¹⁰ without a Purchase Requisition, provided that a subsequent Purchase Requisition is submitted as soon thereafter as possible.
 - 3.6. Purchases funded by a grant are subject to restrictions and limitations as delineated within the grant agreement. These purchases should also ensure compliance with the Uniform Guidance: https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl.
 - 3.7. Supply Chain:
 - 3.7.1. Reviews Purchase Requisitions, issues Purchase Orders to the Business Partner, Supplier or Vendor, and takes final acceptance of Products or Services, ensuring that:
 - 3.7.1.1. All purchase requisitions have the approvals as described in this policy;
 - 3.7.1.2. All aggregate procurements that exceed ten thousand dollars are evaluated for potential addition to an existing procurement arrangement or contract;
 - 3.7.1.3. Product specifications are suited to MHS' needs and to the purpose for which they are intended;
 - 3.7.1.4. All Business Partners, Suppliers and Vendors are treated fairly; and
 - 3.7.1.5. Products or Services that do not meet MHS specifications and needs are not procured; and
 - 3.7.2. Develops proper safeguards and records for receiving and inspecting Products and Services to assure that they meet quality, quantity and other procurement specifications;
 - 3.7.3. Takes delivery of Products at the storeroom, except that arrangements may be made for direct delivery to a specific area or off-site MHS location where there is a compelling business need;
 - 3.7.4. Coordinates, authorizes, and arranges for any necessary product returns; and
 - 3.7.5. Questions the appropriateness of any procurement request or arrangement that does not conform to MHS policy.
 - 3.8. MHS does not tender payment for Products or Services without the Business Partner's, Supplier's or Vendor's invoice that includes a valid Purchase Order number.
 - 3.9. Supply Chain develops, maintains, and adheres to procurement procedures necessary to ensure compliance with this policy.

- 3.10. Any questions that may arise concerning ethics, law, or compliance with MHS policies, in connection with a requested procurement arrangement is referred to the MHS Legal and Ethics & Compliance Departments.
4. Item Master:
 - 4.1. Supply Chain maintains an item master, a list of standard Products available for requisitioning from either the MHS warehouse (inventory items) or directly from the Product manufacturer (non-stock items). The information listed for each Product minimally includes:
 - 4.1.1. A product description;
 - 4.1.2. A unique MHS item master item number along with a manufacturer number, catalog number or unique identifier from the supplier;
 - 4.1.3. A unit of measure and unit of measure description;
 - 4.1.4. A unit price;
 - 4.1.5. Contract information as applicable; and,
 - 4.2. The MHS item master is maintained by Supply Chain.
 - 4.3. MHS does not permit procurement or use of Products not included in the MHS item master, except where:
 - 4.3.1. The Product is undergoing a trial as described in this policy; or,
 - 4.3.2. The use qualifies as an Emergency Use; or,
 - 4.3.3. The use qualifies as Minimal Use¹¹.
 5. Standards for Contracting of Products and Services:
 - 5.1. The following apply to all contracts:
 - 5.1.1. If the aggregate price of the contract for Products or Services is less than \$10,000, Supply Chain solicits one written quote.
 - 5.1.2. If the aggregate price of the contract for Products or Services exceeds \$10,000, but is less than or equal to \$50,000, Supply Chain solicits three written quotes.
 - 5.1.3. If the aggregate price of the contract for Products or Services exceeds \$50,000, Supply Chain uses a competitive bid/solicitation.
 - 5.1.3.1. This is a requirement of law (reference Ohio Revised Code, ORC § 307.86 et seq).
 - 5.1.3.2. MHS is permitted to use any competitive bid/solicitation process allowed under Ohio's competitive bidding law including, but not necessarily limited to, competitive sealed proposals and reverse auctions.
 - 5.1.3.3. Certain contracts for Products or Services that exceed \$50,000 may be exempt from competitive bid/solicitation. For example, if the Products or Services are available from a GPO or from a State or Federal contract, a competitive bid/solicitation is not required, per applicable annual MHS Board Resolution issued in that regard. Determinations on whether an applicable exemption to competitive bid/solicitation applies are made by Supply Chain, with consultation from General Counsel.
 - 5.2. Contracts for Products or Services may not be considered nor entered into without following the above standards nor without the express involvement of Supply Chain and the Legal Department.
 - 5.3. Contracts involving services address pre-determined standards of performance to minimally include:
 - 5.3.1. Periodic business reviews with the Vendor and representatives of the MHS department where services are rendered;

- 5.3.2. Access to MHS systems and software applications as appropriate and where necessary to the successful delivery of the Services, with routine evaluation of Vendor sales representatives' need to gain, continue or to end access to these systems and software applications; and
 - 5.3.3. Key performance indicators in order to monitor performance to established Service standards.
6. Standards for Maintenance and Distribution of Clinical and Non-Clinical Products:
 - 6.1. Supply Chain establishes and maintains appropriate inventory levels ("Par Levels") for and in each applicable clinical and non-clinical area and distributes supplies to such levels in a manner that avoids overstocking.
 - 6.2. Par Levels, distribution and delivery are reviewed and revised routinely in order to improve efficiency and effectiveness.
 - 6.3. Par Level for any Product is established, replenished, and maintained by Supply Chain staff.
7. Standards for Onsite Sales Representatives:
 - 7.1. Sales representatives may visit a MHS department, physician office, or nursing unit only after registering on the GHX VendorMate website, completing the requirements outlined within the VendorMate credentialing system, securing an appointment in advance and signing in to VendorMate kiosks (located on the MHS main hospital campus and on select MHS off-site campuses) in order to have a 24 hour badge printed and displayed on their person while on MHS premises. VendorMate is a credentialing and compliance application designed to monitor Business Partner, Supplier and Vendor sales representatives, to ensure the safety of MHS Workforce Members and patients and to maintain the integrity of the MHS Procurement Policy.
 - 7.2. Temporary, longer-term identification badges may be obtained for sales representatives on-site for extended and committed periods of time and only as approved by MHS.
8. Disposition of Property:
 - 8.1. Where, MHS determines that certain Property is not needed for MHS's own use, is obsolete or is unfit for the use for which it was acquired, Accounting, Clinical Engineering, Information Services, Logistics and Supply Chain are notified with a request to dispose of such Property, in one of the following manners:
 - 8.1.1. If the resale value of such Property is greater than \$2,500, Supply Chain attempts to sell the property by public auction, internet auction or sealed bid.
 - 8.1.2. If the resale value of such Property is less than or equal to \$2,500, Supply Chain may:
 - 8.1.2.1. Sell the property by private sale (without advertisement or public notification), public auction, internet auction or sealed bid; or
 - 8.1.2.2. Donate the property to an eligible nonprofit organization that is located in the State of Ohio and is tax exempt.
 - 8.1.3. If the disposition activities identified above fail to produce a satisfactory purchase offer within two (2) weeks or the incidental costs associated with the disposition activities are anticipated to exceed the Property's estimated aggregate resale value, such Property is considered to have no value and Supply Chain may discard or salvage such Property.
 - 8.1.4. Trade-in such Property for new or replacement Property if Supply Chain determines the value of the trade-in credit will exceed the Property's estimated aggregate resale value.

- 8.2. Any disposition of property under this section is accompanied by a completed and signed MHS Asset Disposal Form (Attachment B) describing the Property to be disposed of in a commercially reasonable manner (e.g. specific description, by weight, number of pallets, or boxes, etc.). The Asset Disposal Form may be accessed electronically from this link (click Asset Disposal Form within the Purchasing Forms area: <http://miv/Forms.aspx>). Instructions are contained in Attachment B.
 - 8.3. Media containing confidential information is disposed of in accordance with policy [PR-04 - Retention and Disposal of Information](#).
9. Use of Payment Cards¹² for Procurement -
Where MHS purchases, or requires a Workforce Member to purchase goods or services for MHS business, MHS may provide and use a Payment Card as follows:
- 9.1. The Payment Card is subject to at least the following terms:
 - 9.1.1. Require interest-free payment within 30 days of a billing statement; and
 - 9.1.2. Exclude any revolving or other interest-bearing extension of credit.
 - 9.2. The Payment Card may be used for any payments consistent with this policy and MHS's accounting policies and procedures, including the purchase of fuel, repair and maintenance of vehicles owned or operated by MHS in connection with MHS business, online and other purchases where electronic payments are required by the Vendor, or purchases where the use of a Payment Card is advantageous to MHS.
 - 9.3. Payments for charges on the Cards may be made out of any authorized funds.
 - 9.4. MHS' Chief Financial Officer or designee:
 - 9.4.1. Establishes Administrative Controls¹³ and procedural safeguards to detect, deter, and mitigate misuse of Payment Cards ("Administrative Controls");
 - 9.4.2. Establishes commercially reasonable and prudent spending limits for each Payment Card or groups of Payment Cards; and
 - 9.4.3. Authorizes and maintains a list of Workforce Members who may use the Payment Cards.
 - 9.5. Each Workforce Member who is authorized to use a Payment Card is fully liable for the payments of any charge made to the Card unless the Workforce Member agrees to all of the following:
 - 9.5.1. Maintain proper receipts and invoices supporting each transaction charged to the Payment Card;
 - 9.5.2. At the beginning of each billing cycle for the Payment Card, present the receipts to the MHS Director of Disbursements; and
 - 9.5.3. Comply with all Administrative Controls.

Attachments

- A. [GEN-05A - List of Certain Exempt Items](#)
- B. [GEN-05B - Asset Disposal and Auction Form Instructions](#)

Dates

Initiated March 8, 1988

Reviewed/Revised: June 1991, September 1996, May 1999, February 2001, November 2003, May 2005, April 2007, May 2009, June 2009, March 2010, March 2011, April 2013, September 2018

Approved

Paul Martucci – Director of Supply Chain

Craig Richmond – Chief Financial Officer

MHS Policy Committee

End Notes

- ¹ Workforce Member: Employees, providers, volunteers, trainees, and other persons whose conduct, in the performance of work for MHS, is under the direct control of such entity, whether or not they are paid by MHS.
- ² Service as used in this policy means any work provided, regardless of its cost, that MHS procures. Service, as used in this policy, excludes construction services and professional services (see Policy GEN-88).
- ³ Product as used in this policy means any equipment, implant, supply, IT Solution¹⁴, or any other item, regardless of its cost, that MHS procures. Product, as used in this policy, excludes purchased real estate.
- ⁴ Property as used in this policy means any personal property, including any Product, owned by MHS.
- ⁵ Business Partner as used in this policy means a company or organization (i.e. a group purchasing organization) with whom we do a significant amount of business and is integral to our operations.
- ⁶ Supplier as used in this policy means a provider of products or goods.
- ⁷ Vendor as used in this policy means a provider of services.
- ⁸ Purchase Requisition as used in this policy means a request submitted to the department of Supply Chain, to either procure, or solicit appropriate bids for the procurement of, any Product or Service. Procurement includes either a purchase or a lease of any Product.
- ⁹ Purchase Order as used in this policy means a binding agreement/document between MHS and a business partner, supplier or vendor to purchase Products or Services at a predetermined price or rate, date of delivery or end date of Service.
- ¹⁰ Emergency Use, as used in this policy, means the use of any Product where either the Chief Clinical Officer or the Chief Medical Officer determines that the use of a Product is immediately and unavoidably necessary to address critical patient health, safety or other imminent public health needs, and any delay would create an unreasonable risk to MHS patients, employees, or visitors.
- ¹¹ Minimal Use as used in this policy means the use of any Product, where:
 1. The use is not Emergency Use;
 2. The Product is not on the MHS Item Master;
 3. The cost of procuring the Product is less than ten thousand dollars (\$10,000.00) per use; and
 4. Either the aggregate use or the aggregate procurement cost of the Product, in any calendar year, will be limited respectively to the lesser of:
 - a) Three (3) uses; or
 - b) The Competitive Bid/Solicitation Threshold¹⁵.
- ¹² Administrative Controls as used in this policy means controls and procedural safeguards to detect, deter, and mitigate misuse of any Product, Property, or Cash Equivalent¹⁶, or Payment Card.
- ¹³ Payment Card as used in this policy means a credit card, credit account, or other payment instrument that is not a Cash Equivalent.
- ¹⁴ Information Technology Solution (IT Solution) is used in this policy as defined in Policy IS-2 Acquisition of Information Technology Solutions.
- ¹⁵ Competitive Bid Threshold as used in this policy means the amount of aggregate purchase price or lease cost above which procurement must comply with the State of Ohio competitive bidding laws applicable to MHS.
- ¹⁶ Cash Equivalents as used in this policy means any a gift card, gift certificate, voucher, coupon or other financial instrument:
 1. That is not cash, but has a readily ascertainable and fixed cash balance value;
 2. That is issued or provided by any supplier (including but not limited to retailers, wholesalers, manufacturers, and banks);
 3. Whose holder can either:
 - a) Use all or a part of the instrument's available balance value in lieu of cash to purchase any Product; or,
 - b) Readily sell or exchange the instrument for cash at all or a part of its available balance value.

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Effective Date: 09/19/2018

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