 UNIVERSITY OF MARYLAND MEDICAL SYSTEM SUPPLY CHAIN PROCEDURE MANUAL	PAGE: Page 1 of 5	PROCEDURE NO: UMMSSC01
	EFFECTIVE DATE: 02/15/2013	LAST REVISION: 02/10/2011
SUBJECT: CENTRAL PROCUREMENT ADMINISTRATIVE POLICY AND PROCEDURE	FUNCTION: Management of Procurement	

SCOPE: All University of Maryland Medical System (UMMS) facilities

PURPOSE: To establish system-wide guidelines for the procurement of equipment, materials and services in order to maximize the economic benefits of centralized purchasing practices and minimize risk to the organization. This policy and procedure governs activities conducted by all UMMS facilities currently under the direct control of Corporate Procurement. It is strongly recommended that all other UMMS facilities, wherever possible, adopt this policy for local use.

RESPONSIBILITY: VP Supply Chain Management

POLICY: The UMMS Corporate Procurement Department is the only department within UMMS authorized to procure materials and services controlled by the Department. Exceptions to this policy include the purchases of pharmaceuticals, perishable foods stuffs, maintenance supplies, consultant, professional and legal fees, fees associated with employee benefits, temporary staffing expenses and authorized PCard expenditures. Purchase commitments are only made through the proper execution of a purchase order or authorized PCard in accordance with guidelines established with PCard issue.

PROCEDURE:

PROCUREMENT PROCESS

1. **Purchase Requisition.** A requester must forward to the department listed below a completed and properly authorized requisition in order to receive a purchase order. Corporate Procurement is the only department within UMMS with the authority to issue purchase orders except that the authority to
 - a. Pharmaceuticals is delegated to the local hospital Pharmacy
 - b. Perishable foodstuffs and groceries is delegated to the local hospital Food Service Department
 - c. Maintenance supplies to local hospital Facilities Department.

The VP Supply Chain Management or designee is the final authority on which purchases require a purchase order and who has authority to issue a purchase order.

2. **Purchase Order.** Purchase orders must only be issued after the submission of a properly completed and authorized requisition. The following are recognized exceptions:

- a. In an emergency medical situation where direct patient care is jeopardized.
- b. In plant operation situations where direct patient care or staff safety is jeopardized.
- c. During hours when the Corporate Procurement Department is closed and delaying the procurement will jeopardize the functioning of the department or adversely impact direct patient care.

In the event the aforementioned situations occur, a properly completed and authorized requisition must still be completed by the requester and forwarded to the appropriate Department within one business day. The Corporate Procurement Department will notify the vendor of the approved purchase order number for inclusion of the vendor's invoice. In the absence of the purchase order number, Accounts Payable will not process the invoice for payment. A valid purchase order number must appear on all vendor documents, including packing slip, invoice and, as necessary, credit memos. Any correspondence from a vendor that relates to a specific business transaction must also reference the purchase order number which initiated the transaction in question.

- d. **Signature Authority.** The following personnel have authority to authorize a purchase order.

DIRECTOR CAPITAL CONTRACTING, DIRECTOR CORP. CONTRACTS AND DIRECTOR PROCUREMENT & CUSTOMER SERVICE	<ul style="list-style-type: none">▪ It is the responsibility of the Director Clinical Contracting, Director of Corporate Contracts and Director Procurement & Customer Service to ensure all procurement activities are accomplished in accordance with established UMMS policies and procedures.▪ Contracting & Procurement personnel who are regularly engaged in contract negotiations, execution and obligating UMMS to suppliers for goods and services.
DIRECTOR, MATERIALS MANAGEMENT	<ul style="list-style-type: none">▪ Materials Management personnel who are authorized to commit institutional funds for the replenishment of inventoried supplies.
DIRECTOR, PHARMACY	<ul style="list-style-type: none">▪ Pharmacy Buyer(s) who are authorized to commit institutional funds for purchase of pharmaceuticals.
DIRECTOR, DIETARY	<ul style="list-style-type: none">▪ Dietary Buyer(s) who are authorized to commit institutional funds for the purchase of food products.
ALL UMMS PERSONNEL	<ul style="list-style-type: none">▪ Only those individuals granted approval status are authorized to commit institutional funds.▪ UMMS personnel may only commit those funds after an individual with budgetary approval authority for the dollar amount of the purchase formally approves the purchase request.

In addition to the above approvals, Information Services and Technology Department approval is required for computer hardware, software and related services.

3. **Receipt of Goods and Services.** All deliveries to UMMS must take place at authorized receiving locations, unless prior arrangements for an alternate delivery location have been made and approved by the VP Supply Chain Management, designee or a department authorized to issue a purchase order (see Purchase Requisition section). All deliveries to

any location must include a vendor packing slip with the authorized purchase order number contained on the packing slip. After hours, or on weekends, special deliveries can be arranged through the Corporate Procurement Department. Incorrect shipments, over shipments, damaged shipments and shipments not referencing an authorized purchase order number are all subject to return. Any return, for any of the mentioned reasons, will be done at the vendor's expense, either by vendor-arrangement pick-up or returned freight collect.

4. **Vendor Payment.** All invoices are to be mailed to the Corporate Accounts Payable Department, unless prior arrangements have been made and approved through the Corporate Procurement Department. Corporate Accounts Payable makes all payments to vendors. The supporting invoice must reference an authorized purchase order number, except for those purchases exempted in the Purchase Order section of this policy. Invoices must have documentation of receipt by one of the authorized receiving locations. In the absence of the purchase order number or receipt documentation, Accounts Payable will not process the invoice for payment. Invoice received from vendors not referencing an authorized purchase order number are subject to being returned to the vendor unpaid.

CONTRACTING PROCESS

5. **Competitive Bidding.** Competitive bidding is the method for selecting vendors for products, equipment or services being requested. The UMMS System Contracting Department leads the bid process, working with the requester to develop specifications, releasing bids and evaluating all proposals with the requester. As part of the review and when appropriate, the Corporate Procurement Department will assist the requester in preparing information on products, equipment or service requests that are required to be reviewed by other management committees.
6. **Purchase Order Awards.** It is the policy of the Corporate Procurement Department to award purchase orders for products not in the item catalog or on a contract based on total value, with equal consideration given to the acquisition and life cycle cost, quality and functionality of the equipment, product or service in question. It is the responsibility of the requesting department to justify the award to other than the lowest delivered cost vendor, when all other considerations are quantified as being equal.
7. **Terms and Conditions.** All business transactions will be conducted under our standard terms and conditions. The terms and conditions as found within this policy, or identified in a specific purchase, shall be the governing terms wherever a conflict exists between those terms and conditions and those of the vendor.
8. **Vendor Relations:** UMMS believes that a competitive atmosphere is most beneficial for both the system and our business partners. In addition to meeting all our specifications and desired price, the following factors will influence the decision of which business partner shall get the order/contract.

- UMMS will first support purchase of goods, services or equipment covered by Group Purchasing contracts.
- Vendor is recognized as a Women and Minority Business Enterprise (WMBE). UMMS is dedicated to supporting WMBE's and will actively seek to do business with those organizations.
- Vendor has proven record of accomplishment for on time and accurate deliveries.
- Vendor has demonstrated willingness to stock products locally, to avoid stock outs and excessive lead times.
- Vendor's ability to process purchasing and payment transactions electronically.
- Vendor has local sales support and dedicated customer service account representatives.

As a matter of good purchasing practice, we periodically evaluate all vendors based on actual performance of services for UMMS. Areas evaluated include, but are not limited to, compliance with all UMMS policies regarding vendor management, actual performance versus promised delivery date, completeness of deliveries, and number of shipping errors, invoice accuracy and ability to react to emergency or unusual requests. Unsatisfactory performance will lead to removal of a vendor from our approved list of vendors.

MONITORING PROCESS

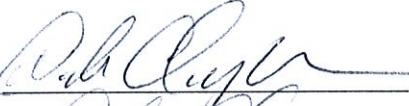


9. **Approved Products.** The Corporate Performance Consulting Department (PCD) is responsible for coordinating the standardization of supplies and purchased services across UMMS. It is the policy of UMMS that all new products proposed for use at any affiliate within UMMS will be introduced through their respective Value Analysis process in conjunction with the PCD.

The operating support guidelines of the PCD include:

- Products are not to be evaluated or used before a review of the product and presentation to the Value Analysis Committee takes place.
- The VP Supply Chain Management or designee may authorize specific patient requirements for a new product for one time use after consultation with the Clinical Director. All such requests will then be presented to the next scheduled Value Analysis Committee meeting.
- Products for approved evaluations are to be provided at no charge, unless prior agreement has been reached with the UMMS Supply Chain Department. Whether at no charge, or a negotiated cost, a purchase order will be issued for the product.

- Failure to follow any of the above guidelines, or missing any steps in the process, will result in a vendor not being paid for any product they bring into UMMS.

10. **Contracts.** The UMMS System Contracting Department monitors all procurement transactions with the vendors doing business with UMMS. All vendor correspondence related to the acquisition process, or adherence to contractual terms must be coordinated through the Corporate Procurement Department office. Paperwork requiring signature committing UMMS to either acquiring a product, or a consignment of inventory products, for a specific price, quantity or period of time, must be signed by the VP Supply Chain Management or designee. Additional signatures of the Director of Clinical Engineering, the requesting department's Vice President and/or the Vice President of Finance may also be required for contracts for services, equipment rental or leases and major capital equipment purchases.
11. **Vendor Rebates.** The UMMS System Contracting Department is responsible for the tracking, recording and processing of all vendor rebates. All rebates, whether a check or statement of credit against the account, must be directed from the vendor to the Corporate Contract Department.

Prepared by  Date 2/15/13
Reviewed by  Date 2/15/13
Executive Approval  Date 2/25/13