

TITLE: Acquisition of Goods and Services, Management of

IDENTIFIER: S-FW-LD-6001

EFFECTIVE:

APPROVED: Executive Cabinet 09/01/09

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REVIEWED:

 Home Health: 10/09 SHAS: 10/09**KEYWORDS: Equipment, Hardware, Software, Biomedical, Requisitions, Purchase Orders, Supplies, Returns, Rebates****I. PURPOSE**

To establish requisition and ordering requirements that must be followed by all persons to achieve consistent and appropriate procurement of goods and services. This policy with required procedures includes but is not limited to; ordering and requisitions; vendor guidelines; shipping and receiving; return to vendors; bids, contracting and rebates; new products, technology and standardization, and purchases on government grants and contracts.

II. POLICY**A. Supply Chain Management:**

1. **Corporate Supply Chain Management (SCM)** for Scripps is a centralized department located in Sorrento Valley. SCM is accountable for the management of all system wide policy and procedures relating to purchasing, inventory, Lawson Purchasing Module database management, reporting, operations, bids, contracts and compliance for medical and non-medical supplies, equipment and services for Scripps Health. The mission of SCM is to provide Scripps hospitals, clinics, and support functions with the right product, at the right time, at the right price without compromising the quality of care to our patients.
2. **Facility Supply Chain Management** - Each facility has a designated Manager of Supply Chain Operations (MSCO) who will be available to assist business unit with all aspects of supply chain operations, to include: requisitions and purchasing procedures, receiving, AMMA cart replenishment, product selection, inventory management, product standardization, expense management reporting, and other related operational services as needed.

B. Requisition and Ordering Requirements: All Scripps Business Units must acquire all goods and services in accordance with the requirements and procedures established in this policy to provide for adequate controls and consistent purchasing standards. Supply Chain Management must be utilized to obtain best prices, ensure appropriate terms and conditions, and avoid conflicts of interest with vendors and other third parties

C. Lawson Purchase Order System: Requestors must use the Lawson PO system for purchased services, medical (including pharmacy) and Information Technology procurements. This facilitates compliance with the Contracting and Signing Authority Policy (S-FW-LD-1001) and utilization of leveraged pricing agreements established

by SCM. SCM buyers will assist with ordering decisions for goods and services not currently loaded in the Lawson Item Master Catalogue. Procurement audits have been established to identify and investigate procurements not authorized to circumvent the Lawson PO system.

- D. **Capital Procurement Requests:** All capital requests must be submitted through the Capital Advisor system and a Scripps PO assigned. Any equipment or non-disposable item that has an aggregate value of \$5,000 or greater and leasehold improvement greater than \$15,000 is considered capital and therefore requires an approved capital activity account number from the General Accounting Department before requisitions can be approved.
- E. **Purchases on Government Grants and Contracts:** All procurements using federal grant or contract monies must meet requirements outlined in applicable laws, regulations, and contracts. All federally funded programs are subject to an annual audit that is conducted in accordance with the standards outlined in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Federal grant requirements regarding program procurements using federal award money are outlined in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-for-Profit Organizations*. Compliance with the provisions of OMB Circulars A-110 and other applicable federal regulations is required for continued receipt of federal award monies, which are critical to the continued operation of such programs supporting the organization's mission.

General Procurement Requirements – Goods and services to be paid for using federal financial assistance program funding must be made in accordance with *Subpart C of OMB Circular A-110, Post-Award Requirements, Procurement Standards, Section .44 Procurement Procedures:*

1. **Program Directors** — Each federal financial assistance program at Scripps Health has a designated program director position responsible for overseeing the program budget and allocating federal funds in accordance with the program's mission. In this role, the program director is responsible for compliance with the procurement requirements of OMB Circular A-110.
2. **Program Purpose of Expenditures-** All solicitations for goods and services must be supported by a clear and accurate description of the program purpose and technical requirements of the material, product, or service to be procured. Solicitations must include requirements which the bidder (i.e. vendor) must fulfill and other factors to be used in evaluating bids or proposals. Also, to the extent practicable and economically feasible, preference should be shown for products and services that conserve natural resources and protect the environment and are energy efficient.
3. **Supporting documents** – All procurements for federally funded programs must be supported by vendor invoices and purchase orders providing for a clear audit trail between program expenditure and supporting documentation. This support must be maintained for both payroll and accounts payable "vendor" related expenditures.
4. **Vendor Selection Requirements:** Designated program personnel must obtain pricing quotes from a minimum of 3 vendors prior to vendor selection for all procurements greater than \$1,000. All vendors must be verified using the Office of Inspector General's (OIG) and Government Service Agencies (GSA)

On-Line Verification List Systems which provide for the suspension/debarment status of all vendors.

5. **Purchasing vs. Leasing decisions** - Where appropriate, an analysis must be made and documented to support the determination that either a leasing or purchasing decision is more economical and practical for the program. A schedule should be maintained detailing monthly expenditures and start/end dates for all lease arrangements.
- F. **New Vendor Setup and Reactivation Authorization:** Invoices for goods and services rendered by new or deactivated vendors in the Lawson Vendor Master Table require completion of the New Vendor Set-Up and Reactivation Authorization Form. The form provides for systematic evaluation of new and previously deactivated vendors prior to payment, review of requisition and ordering activities for compliance with Scripps procurement requirements and cost-savings initiatives and to maintain a complete repository of important vendor information in Lawson.

III. PROCEDURES

A. Requisitions, Processes and Types of	O. Establishing and Reactivating Vendors /Payees for Procurement and Payment
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- A. **Requisitions, Processes and Types of:** There are several different types of supply and service orders that can be processed through supply chain management. Processing of each order type will be in accordance with the processes listed below.
1. **Standard Medical, Surgical, and Biomedical Equipment Requisition Requests (Non-Capital)**
 - a. This type of order is processed through *Lawson Web Requisitions*. The ordering tool is located on the Scripps intranet, and can be found on the main page of ScrippsNet, or, at the following web address [Lawson Web Req.](#)
 - b. To access *Lawson Web Requisitions*, complete and submit the *Lawson Web Req User Setup Form*. To obtain this form contact the facility MSCO. Departmental purchasing personnel are also responsible for contacting their facility MSCO regarding transfers to a different department, job responsibility changes, or when employment with Scripps is terminated, to ensure that system access is updated or terminated as appropriate.
 - c. Once access has been established to *Lawson Web Requisitions* on ScrippsNet, you are authorized to place orders for Catalogued products found in the SCM Lawson Item Master by either using your department ordering template, performing a search function, or by entering a Catalogued Lawson number onto the on-line requisition screen. The Item Master Catalogue contains all approved products and services and related pricing per unit. The Item Master Catalogue restricts the type of purchases which can be made through the *Lawson Web Requisitions* and Lawson system, assigns proper pricing (including sales tax), product descriptions and appropriate vendors to purchase orders.
 - d. Once submitted, the order will be routed through the Supply Chain automated approval process flow. Depending on the value and type (Catalogue vs. non-Catalogue), the approval process incorporates signing authority levels established in Scripps policy: Expenditure, Requisition, and Contracting Signing Authority matrix (<http://scrippsnet/scripps/syspolicies/pdf/S-FW-LD-5201%2011-03.pdf>) as referenced in Section 4 below.
 - e. For order inquires or status, an on-line tool, via the Intranet, is provided in the *Lawson Web Requisitions* system to assist you. Your assigned Supply Chain Management Buyer may also be contacted for assistance.
 2. **Requests for Repairs and other Related Services**
 - a. Orders for repairs and services that cannot be processed via Web Requisitioning are requested directly through an assigned SCM Buyer.
 - b. The Buyer will generate a Lawson PO and direct the requester to the appropriate vendor, depending on type of service needed.
 - c. It is the responsibility of the requester to coordinate with the vendor. The vendor will require a PO number, and will provide paperwork upon completion of the repair or service, referencing the PO number. This paperwork needs to be sent to your assigned Buyer as soon as the work is completed by the vendor. Failure to send the paperwork timely to the

Buyer can delay the invoice and result in late charges, credit hold, and other unnecessary inconveniences and administrative tasks.

3. Standing Purchase Order (SPO) Requests (Scheduled Reoccurring Deliveries)

- a. SPO's are pre-established and closely monitored by SCM and require all of the following to be met before a purchase order is assigned:
 - i. The product being acquired is LOT specific and requires a commitment to purchase (e.g. supplies used for equipment calibration, such as for lab).
 - ii. The quantities, unit of measures, and shipping schedule for the products are known before the standing order is created.
 - iii. Standing purchase orders are created for a 12 month period only.
- b. All requests for SPO's must have an approved requisition with department management approval.
- c. Request must be submitted to the contract analyst assigned to your departments discipline (e.g.) laboratory, surgical services, etc.
Standing order requests submitted to your assigned SCM Buyer must be pre-approved by the contract analyst before an SPO number can be assigned.
- d. Even if the above requirements are met there may remain reasons for the possibility of denial, at the discretion of the Director of Supply Chain Management.

4. Capital Requests

- a. Any equipment or non-disposable item that has an aggregate value of \$5,000 or greater is considered capital and therefore requires an approved capital activity account number from the General Accounting Department before requisitions can be made.
- b. Scripps has required approval processes and several forms to reference. The location for this material is at: Capital Request Forms
- c. All capital requests must be submitted through the Capital Advisor system and a Scripps PO assigned.

5. Information systems Acquisitions Requests (Hardware/Software, Computers, electronic storage devices, flash or thumb drives, CDs, etc.)

- a. Contact the Scripps Health IS Helpdesk, either by phone or through email to initiate this type of order.
- b. Once your request has been logged, the IS Helpdesk will notify the appropriate IS Acquisition Analyst and they will expedite your request. Upon completion, the IS Acquisition Analyst will notify the IS Helpdesk that the request has been complete.
- c. The IS Helpdesk will send the requester an email advising that the request is completed.
- d. At the time the request is logged, a requisition number is assigned, and used for reference when following up on the order.

6. **Office Product Requests (Excluding electronic storage devices)**
 - a. Request for office products are ordered directly through the established Corporate Express website (eway.com)
 - b. This website requires a User ID and Password to access. Contact your facilities MSCO for User ID setup.
 - c. Products ordered before 3:30 PM, will be delivered the next business day, excluding holidays and product backorders.
7. **Document Management Requests (Business Cards, Stationary, and Forms) Per Business Unit**
 - a. **Hospitals, Home Health, and Administrative Services (SHAS)**
 - i. For all forms except business cards, access the following website: [Workflow One Webpage](#). This website requires a User ID and Password. Contact your facilities MSCO for User ID setup.
 - ii. For business cards access a separate website located at [Workflow One Webpage](#). No User ID is required.
 - iii. Request for form development or printing will be processed through Workflow One assigned business unit representative.
 - b. **Clinics**
 - i. For all forms except business cards, access the Lawson Web Requisition website located at: [Lawson Web Req](#). This website requires a User ID and Password. Contact your facilities MSCO for User ID setup.
 - ii. For business cards, access a separate website located at [Workflow One Webpage](#). No User ID is required.
 - iii. Request for form development or printing will be processed through Workflow One assigned business unit representative.
8. **Copier Requests**
 - a. For new copiers, replacements, or removal of copy machines contact facilities MSCO. The MSCO will contact Xerox and process the request. All requests will require final approval from the SCM Director.
 - b. For Copier repairs, call Xerox directly at 800-821-2797. Provide the model and/or serial number located on the machine.
9. **Furniture Requests**

To determine how to process requests for furniture contact facilities MSCO. The MSCO will determine if the furniture request meets Scripps standards for furniture, which can be ordered directly through Lawson Web Requisitioning, or if custom, will need to be coordinated between facility's supply chain department, facilities, and safety committee.
10. **Construction Requests (CIP)**

For construction requests, reference the *Facilities* link on ScrippsNet for direction. Once approved, construction projects are expensed through Lawson using a dedicated Purchase Order sequence for tracking purposes.

11. Other Purchasing Requirements

- a. Use Supply Chain Buyer for any questions relating to the acquisition of products, services and equipment.
- b. All new products, technology and services must be pre-approved by assigned Buyer and/or Contract Analyst prior to purchase. If request is in direct conflict with a primary standardization contract, the Buyer will assist with selecting an approved product. New products and technologies may also be referred to a product committee for assessment and authorization for access.
- c. Equipment procurements should not be split into multiple requisitions to circumvent capital approval requirements; to do so is in direct violation of the capital expenditure policy. Buyers are responsible for identifying and reporting this activity to the SCM Director, and site MSCO immediately.
- d. Product pricing is proprietary to Scripps and should never be released to Vendors or other non-Scripps employees.
- e. Goods and services delivered directly to the requisitioning department must be redirected to Central Receiving for matching of the packing slip to the purchase order in the Lawson system.
- f. To cancel purchase order prior to receiving, contact assigned Supply Chain Buyer.

- B. Approval and Expenditure Authority:** All orders processed through Supply Chain must be in compliance with the Scripps *Expenditure, Requisition, and Contract Signing Authority Policy* (Signing Authority Policy – S-FW-LD-5201). SCM recognizes this signing matrix and incorporates it for all acquisitions whether system controlled or manual.
- C. Purchase Orders (PO):** Purchase Orders are the final product of an approved request, and represent an official agreement (with Scripps approved terms and conditions) between Scripps and the vendor. Once finalized, the PO is transmitted electronically, faxed, or verbally submitted to the vendor. From the point of creation the PO number is used to check order status, receipts, invoices, and returns. Note: Only SCM is authorized to assign a PO number for a transaction with a third party.
- D. Bill Only:** Bill Only PO's allow the surgical services departments within Scripps, the ability to adjust to unpredictable and emergent situations that they are faced with on a day to day basis. This represents a large exposure to the organization as this process circumvents controls built in to the Supply Chain procurement process (i.e. *Lawson Web Req*). Bill Only PO's are for urgent case by case product needs, that if requested through the standard requisition process would not be feasible in meeting the time requirements of a surgical case. Bill Only PO's are not authorized to be used for non urgent supply replenishment or any other non emergent acquisition. The Director of Surgical Services will be responsible for assigning an authorized department requester to issue and manage the Bill Only PO log. The number of requesters must be limited to two individuals, a primary and secondary (i.e. back up) to adequately control access to the Bill Only PO Log. Failure to comply with this requirement can result in revocation of this ordering privilege at the discretion of the Director of Supply Chain Management.
- E. Order Confirmations:** After a PO has been transmitted, Supply Chain Management receives an order confirmation from the Vendor. These confirmations also notify the

Buyer if an item has been backordered. If the expected delivery date is exceeded the Requester will be notified.

- F. **Receiving Confirmations:** After the PO has been transmitted and confirmed, the Vendor will ship ordered items to the requesting Scripps facility on the PO. Upon receipt, the Supply Chain Receiver must inspect the product, perform physical verification of the goods received against the packing slip and PO and compare the quantity received against the PO. Discrepancies will be reported to the Buyer.

Goods and services delivered directly to the requisitioning department must be redirected to Central Receiving for matching of the packing slip to the purchase order in the Lawson system. All vendors are required to check in with receiving before performing any type of installation (e.g. equipment)

- G. **Delivery to Department:** Upon validation of received goods, the Supply Chain Receiver will deliver goods to the requesting department. Signatures are required for acknowledgement of all deliveries.
- H. **Over Shipments:** In the case of an over shipment by the vendor, the receiver contacts the requesting department to see if the overage is acceptable or not. If the overage is unacceptable a return will be generated by the Buyer. If overage is acceptable, the PO will be adjusted to reflect the increased quantity and the requesting department will be charged the additional expense.
- I. **Returns:** The Supply Chain department will assist in coordinating all returns and ensure that good business practices are followed. The Buyer is responsible for coordinating with the requester, and the receiving staff, to expedite the return to the vendor. It is important to note that some products are non-returnable and/or restocking fees may be incurred. In these situations the Buyer will take the appropriate action to minimize the financial loss to Scripps. Examples of returned goods include: defective goods, incorrect shipped quantities, product error, etc.
- J. **Outbound Shipping:** The receiving department can assist with outbound shipping. All outbound shipping (FedEx, UPS, RPS) are expedited through Supply Chain Receiving. Contact your site receiving department for additional information.

Note: Scripps Supply Chain Receiving is not accountable for the receipt of any goods that are not Scripps related business.

- K. **Invoice Management:** Accounts Payable is responsible for processing the invoice(s) for payment of received goods and services. To ensure timely payment and liability recognition for amounts owed, all invoices received directly by departments must be immediately forwarded to Accounts Payable at Campus Point, Mail drop CP333.

Vendors should always be instructed to mail invoices directly to:
Scripps Health
Attn: Accounts Payable, CP333
PO Box 2469
La Jolla, CA 92037

- L. **Price and/or Quantity Variances (Buyer Messages):** Buyer's Messages exist to ensure that invoice pricing and quantities do not exceed amounts approved and ordered per the Purchase Order. They are automatically created in the Lawson system whenever a delivery exceeds the quantity specified on the purchase order, any time quantity on the invoice received by AP exceeds the purchase order

quantity, and any time the pricing on an invoice is higher or lower than that on the purchase order (in excess of tolerable range). The receiver cannot "release" the purchase order and generate a delivery ticket and AP cannot pay an invoice until the matter has been resolved in Lawson by the buyer.

M. Month End Reporting:

Cost Center Management Review: Cost Center Managers should perform monthly analysis and review of expense activity charged to their accounts to identify unauthorized or suspicious purchases. Reports available to assist in this process include the *GL (General Ledger) Transaction File* and *AP Distribution* for their cost center.

Supply Chain Management Review: All acquisitions of goods and services are subject to regular monthly auditing and validation procedures performed by Supply Chain Management personnel. One of the primary purposes of these regularly occurring audits is to identify procurement activity that does not take place through the proper channels as outlined in this document. Reports include ordering activity by requester, *Received Not Invoiced (RNI)*, *Matched Not Received (MNR)*, *Non-PO invoices report* and *AP Distribution*. The reports validate compliance with Supply Chain Management internal and external policy. Contact your MSCO for more information.

N. Government Grants and Contract Pre-Vendor Selection Procedures: Recipients of federal grant or contract monies must perform the following procedures prior to contracting with a vendor for the provision of goods and services in order to comply with *OMB Circular A-110, Subpart C Post-Award Requirements, Procurement Standards, Section .45 Cost and Price Analysis*:

1. **Cost and Price Analysis:** Pricing quotes must be obtained and maintained on file for all procurements greater than \$1,000 using federal monies.
 - a. Designated program personnel must contact a minimum of 3 vendors and obtain pricing quotes for procurements greater than \$1,000. Telephone pricing quotes are adequate for procurements up to \$5,000.
 - b. Designated program personnel must obtain written quotes from a minimum of 3 vendors for procurements between \$5,000 and \$25,000.
 - c. A formal competitive bidding process involving no less than 3 vendors must be utilized for procurements greater than \$25,000. The competitive bidding process must be supported by written documentation detailing pricing and service comparisons that support vendor selection decisions.
 - d. Designated program personnel must document and maintain on file, departures from the cost and pricing analysis requirements and procedures outlined above. Departures from this process are only allowable in the event that federal grant or contract monies require usage of a single vendor or there is only one vendor providing the requisite product or service.
2. **Verification of Suspension/Debarment Status** – OMB Circular A-110 requirements mandate that all recipients of federal or federal pass-through grant monies must verify the federal suspension/debarment status of all vendors prior to performance of work or receipt of services. Failure to perform a check of federal procurement status of vendors prior to receipt of goods and services (e.g. during contracting stage) and inability to demonstrate

performance of such verification represents significant non-compliance with this federally mandated standard. The following procedures must be performed to verify federal procurement status of vendors to be paid using federal grant monies:

- a. **Excluded Vendor Website Check** – staff must be designated to verify the status of all vendors prior to the performance of work related to federal grant programs. There are two websites, listed below, which must be used to verify the federal procurement status of vendors. The vendor's name, partial or exact match, should be entered and if a vendor is returned with a positive match on the website; then they are not to be engaged. Staff must maintain and be able to timely retrieve documentation (e.g. printed results filed) which supports performance of the excluded vendor check prior to performance of work. The following websites must be used to verify the exclusion status of vendors.
 - i. General Services Administration (GSA) Excluded Parties List System (EPLS):
<https://www.epls.gov/epls/search.do>
 - ii. Office of Inspector General (OIG) Listing of Excluded Individuals & Entities:
<http://oig.hhs.gov/fraud/exclusions.asp>
- b. Accounts Payable will be verifying the suspension/debarment status of all vendors added to Lawson for payment in accordance with the requirements stipulated in section P No. 8 below. Therefore Program Administrators can expect to be contacted regarding the performance of work by "excluded" vendors to be paid using federal grant monies.

O. Establishing and Reactivating Vendors/Payees for Procurement & Payment

Vendors must be established in the Lawson Vendor Master Table prior to payment. The following procedures are required to provide for adequate review of vendors prior to payment and facilitate compliance with Scripps procurement policy requirements and cost-savings initiatives:

1. The "New Vendor Set-Up & Reactivation Authorization" Form must be completed (see "Related Forms") for all new vendors established in the Vendor Master and for all vendor reactivations.
2. The "New Vendor Set-Up & Reactivation Authorization" Form must be signed by the cost center requestor and a business unit director whose job duties pertain to the vendor's service. For instance, any requests for first-time payment of a leasing agreement must be reviewed, approved and signed-off by the Senior Director of Corporate Real Estate. Invoices related to employment services such as temporary labor must be approved by the Human Capital Services Director (HRD) at the requestor's location.
3. The "New Vendor Set-Up & Reactivation Authorization" Form must be completed in its entirety to contain vendor contact information including name, phone, email and website, capture vendor address (other than PO to extent possible), and TIN to maintain the integrity of the Vendor Master and facilitate timely remediation of any vendor issues.
4. Accounts Payable will verify the completeness of all "New Vendor Set-Up &

Reactivation Authorization” Forms, enforce compliance with policy requirements and validate vendors for all first-time purchase requests using the Dunn and Bradstreet’s Enterprise Risk Solutions.

5. Accounts Payable cannot reactivate vendors in the Vendor Master without a properly completed “New Vendor Set-Up & Reactivation Authorization” Form with signed approval from a non-AP business unit director.
 6. The “New Vendor Set-Up & Reactivation Authorization” Form will be final reviewed and approved by Supply Chain Management (SCM) to identify non-Lawson purchase order requests and vendors (e.g. contract consolidation) for which SCM has negotiated contract pricing for similar products and services. SCM will contact cost center requestors and business unit directors accordingly.
 7. A W-9 Form must be submitted with name, address and TIN documented by all new vendors. The W-9 will be maintained by Accounts Payable. W-9 exceptions exist for patient refunds, legal settlements and other potential payment types.
 8. All new vendor requests will be subject to verification by Accounts Payable for compliance with federal government vendor contracting requirements for recipients of federal funding. A-133 Program recipients are required to verify vendor status prior to contracting for goods and services however AP will confirm vendor status prior to payment. **Section N: Purchase on Government Grants and Contracts** contains additional information regarding federal procurement requirements.
 9. Requestors attempting to disburse funds for fraudulent purposes will be terminated and legal recourse will be pursued.
 10. Once a new vendor is approved, verified and established in Lawson; a confirmation letter will be sent to the vendor by Accounts Payable. The letter will acknowledge the vendor’s “approved” status and detail Scripps Health requirements for billing and payment. See “Vendor Confirmation” Letter.
- P. **Vendor Contracts:** The term "Contract" is defined in this context means various types of written agreements related to the procurement of equipment, supplies or services. A contract is an agreement between two or more parties describing terms and conditions. Examples of contracts which vendors require a signature include:
1. Quotations
 2. Maintenance agreements
 3. Software license agreements
 4. Pricing agreements
 5. Agreements for services (Security, Waste Disposal, Copiers, etc.)
 6. Leases
 7. Rentals

A contract type listed above must not be executed without direct involvement of a Contract Analyst from the Supply Chain Management department and must also be authorized by the appropriate level individual according to the Scripps Expenditure, Requisition, and Contract Signing Authority Policy (Reference Section C)

The Supply Chain Management review, addresses the business and legal aspects of

the contract. Standard terms and conditions have been reviewed and pre-approved by the Scripps Legal Department and should not be deviated from with express approval of Supply Chain Management. In particular, some of the common items which are reviewed include:

1. Reference to Scripps Purchase Order Terms and Conditions
2. Assignment
3. Governing Law
4. Indemnification
5. Payment and Shipping Terms
6. Insurance Requirements, both for in-transit; and general liability when work is to be performed on Scripps premises
7. Patient Privacy
8. Termination

The Supply Chain Contract Analyst generally will ask for review by Scripps Counsel and/or Risk Management if the order relating to the agreement is greater than \$25,000 or the contract poses a substantial risk to Scripps. Review of documents can take anywhere from two weeks to multiple months depending on the complexity and the amount of negotiation that is required between Scripps and the vendor. It is suggested that departments involve the appropriate Supply Chain Contract Analyst as early as possible in the process to avoid unnecessary delays.

- Q. **Group Purchasing Contracts: a Group Purchasing Organization (GPO)** is an entity that leverages the aggregate purchasing power of a group of businesses to obtain discounts from vendors based on the collective buying power of the GPO members. Many GPO's are funded by administrative fees that are actually paid by the vendors and some GPO's are funded by fees paid by the buying members. These fees can be set as a percentage of the purchase or set as an annual flat rate. Some GPO's set mandatory participation levels for their members, while others are completely voluntary. Members participate based on their purchasing needs. Scripps Health utilizes a GPO for certain products.
- R. **Standardization:** Through value analysis standardization, Scripps is better able to consolidate utilization and consumption behavior(s) to a preferred supplier or service line. Standardization provides lower operating costs for the organization because suppliers/service providers bid for our business through volume and offer more aggressive pricing for an increase in market share. Supply Chain Management supports value analysis standardization through Product Assessment Teams (PAT) in key functional areas such as surgical services, medical/surgical, cath lab, radiology, and support services. Supply Chain Management has several product lines that have been standardized. Contact your Site MSCO, or designated Supply Chain Management Buyer for more information.
- S. **New Products, Vendors, and Services:** Requests for new products, vendors, and services must be requested through a centralized workflow approval application named VISION. Built in to this computer application is the Scripps approval process for designated Product Review Teams (PRT) and the ability to reference specified Product Assessment Teams (PAT). These two teams work closely together while supporting the Supply Chain Management mission.

1. **Product Review Teams (PRT):** In order to ensure that we provide care of the highest quality, maintain safety, and promote cost effectiveness; new medical equipment and supplies should be reviewed by a core team of internal experts to ensure appropriateness and standardization when feasible. This core team is called PRT. Every facility has a designated PRT.
 2. **Product Assessment Teams (PAT):** The PAT's are responsible for identifying opportunities to reduce Scripps operational expenses through leveraging collective purchasing power, collaboratively working towards goods and services standardization and achieving utilization efficiencies. PRT requests are often deferred to PAT.
- T. **Rebates:** Rebates are a normal part of contractual requirements with many vendors. The main purpose of rebates is to reduce the expense to Scripps by meeting negotiated volume requirements. Rebate processing and management of, is handled by the Director of Supply Chain Management. If for any reason a rebate check should be sent to any Scripps location outside of Corporate Supply Chain Management, it is critical that the rebate check be sent to Mail drop SV15, Attn: Director, Corporate Supply Chain as soon as the rebate is received.
- U. **Terms and Conditions:** The Terms and Conditions of the Purchase Order are designed to provide Scripps with appropriate legal protection in all procurement actions and to comply with laws governing its operation. The Director of Purchasing is responsible for the issuance and changes to the Terms and Conditions, with approval by Scripps Legal Counsel. Any time a Supplier presents their Terms and Conditions as part of a sale, Supply Chain Management Contract Analysts are required to negotiate any conflicts that may exist between the Supplier's Terms and Conditions and Scripps Terms and Conditions. Scripps Legal counsel will be asked for assistance as required. The Supply Chain Contract Analyst, not business unit requestors, must approve the Supplier's Terms and Conditions if they are to become part of the procurement action.
- V. **Insurance Requirements:** Scripps requires vendors to submit evidence of adequate insurance coverage prior to performance of work or services at a Scripps location. Supply Chain Management must be advised of any proposed services to ensure that all Scripps requirements are met. The normal, minimum insurance coverage levels are listed below:
1. Statutory Workman's Compensation Insurance per the laws of the State of California. Coverage "B", Employers Liability, must have minimum limits.
 2. Comprehensive General Liability Insurance must have a minimum limit of \$1,000,000 per occurrence, subject to review.
 3. If applicable, Automobile Liability Insurance subject to limits of not less than \$1,000,000.
- Scripps must be added to the contractor's Comprehensive General Liability Insurance policy as an Additional Named Insured and evidence of such will be provided on all Certificates of Insurance.
- Questions regarding insurance requirements should refer to the Manager of Risk/Insurance at Campus Point.
- W. **Legal and Ethical Conduct:** It is the policy of Scripps Supply Chain Management to comply with all laws governing its operation and to conduct its affairs in keeping with the highest moral, legal and ethical standards. Compliance with the law (including

anti-bribery and antitrust laws and other applicable regulatory law) means not only following the law but so conducting Scripps business such that Scripps will deserve and receive recognition as a good and law-abiding citizen, alert to its responsibilities in all areas of good citizenship. Even where the law does not apply, applicable standards of ethics and morality relate to our activities and require the same diligence and attention to good conduct and citizenship.

Illegal and unethical practices include engaging in price fixing arrangements; bid rigging acts; agreements with competitors to divide or allocate markets or customers; placing personal interests above those of the organization; falsifying of accounting records; intentional misrepresentations to the organizations internal or external auditors; bribery; illegal kickbacks; or illegal political contributions.

Scripps Supply Chain Management employees shall not accept purely social entertainment offered or sponsored by suppliers. Entertainment is not construed to mean an occasional business meal or a function where Scripps stands to benefit from the supplier association.

- X. **Conflict of Interest:** All Scripps Supply Chain Management employees are required to comply with all aspects of the Scripps *Conflict of Interest and Conflicts of Commitment Policy* and complete the annual disclosure form.
- Y. **Vendor Relations and Selection:** The highest standards of business ethics and conduct should be applied by all Scripps Supply Chain employees in relations with suppliers/ vendors. When making decisions affecting suppliers/ vendors, employees shall not obligate either themselves or the organization to a supplier/ vendor. In conducting business with suppliers/ vendors, employees are also expected to act fairly and objectively and in the best interests of the organization. Fairness to suppliers/ vendors is promoted by the following means:
 - 1. By giving all salespersons a fair, prompt and courteous hearing on any subject that is justified by the nature of their products or services.
 - 2. By keeping competition open and fair.
 - 3. By discouraging revision of bids after submission and insisting on receiving the best price initially and holding the bidder to it.
 - 4. By keeping buying specification fair and clear and not including impractical or unnecessary specifications.
 - 5. By not soliciting quotes from a potential supplier unless we are willing to use that supplier should the offer be acceptable in quality, price, delivery terms and service. Qualifications of a supplier will be determined before a quotation.
 - 6. By not bargaining with suppliers. Ensure that each bidder's quoted price is compared with other bids submitted under the same conditions.
- Z. **Purchasing Cards:** The use of Scripps Purchasing Cards is encouraged to reduce the transaction and processing costs of small, non-PO transactions such as travel, dues and subscriptions, emergency supplies, etc. Purchasing cards are not to be used to acquire computers, storage devices, or biomedical equipment except by authorized Information Services or Biomedical Department personnel. Reference the Purchasing Card Program Policy for additional information.
- AA. **Personal Purchases:** Supply Chain Management does not arrange personal purchases for Scripps Employees or patients. SCM is not authorized to spend time locating suppliers or securing quotations for non-Scripps business purposes.

Similarly, a department may not place a personal order for an individual employee or patient and then have that person reimburse the department.

- BB. **Disposal Equipments Sales or Surplus:** To dispose of surplus medical and non-medical equipment contact your facilities MSCO.

IV. ATTACHMENTS

Definitions

V. RELATED FORMS

- A. [Capital Request Forms](#)
- B. [New Vendor Setup & Reactivation Authorization Form](#); SW-LD-6001
- C. Vendor Confirmation Letter

VI. RELATED POLICIES

- A. Conflict of Interest and Conflict of Commitment; S-FW-HR-0908
- B. Contracting and Signing Authority; S-FW-LD-1001

VII. SUPERCEDED

Acquisition of Good and Services, Management of; S-FW-LD-6001

Attachment A: Definitions***Acquisition of Goods and Service, Management of***

Identifier: S-FW-LD-6001

Date: 09/09

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Acquisition	The act of purchasing products, equipment, and services.
Consignment	On hand supply of inventory provided by the supplier that is not owned by Scripps. Suppliers are paid for the goods when used. The hospitals can return unsold merchandise to the supplier when a product is either discontinued, or replaced for a new product
Electronic Data Interchange (EDI)	A set of standards for structuring information to be electronically exchanged between and within businesses, organizations, government entities and other groups. For example purchase orders to automate purchasing.
Enterprise Resource Planning (ERP) System	A type of software that attempts to integrate all departments and functions across a company onto a single computer system that can serve an organizations particular needs such as; order requisitions, purchase orders, receiving, accounts payable, and accounting. Scripps utilizes Lawson for its ERP System.
General Ledger (GL)	Summary of all the financial transactions that occur in the company. It is built up by posting transactions recorded in the general journal. Acquisitions are a transaction that would appear on the GL at Scripps.
Group Purchasing Organization (GPO)	A membership only group that leverages the aggregate purchasing power of a group of businesses (e.g. healthcare organizations) to obtain discounts from vendors based on the collective buying power of all members.
Invoice	A detailed statement showing goods sold and amounts for each.
Just-In-Time (JIT)	A distributing technique based on a pull system where material is ordered and delivered just in time for use. The purpose of this method is to minimize the overhead for Scripps.
Lot Number	A sequence number associated with a specific batch or production run of products and used for tracking and audit purposes.
Market Share	The percentage of the total sales of a given type of product or service that represent given company or companies.
Matched Not Invoiced (MNR) Report	A Lawson report listing open invoices by PO Line, not yet matched with a Lawson PO receipt.
Packing Slip	A delivery document listing merchandise packed by the supplier. SCM uses this document to compare goods shipped against actual goods received.

Attachment A: Definitions***Acquisition of Goods and Service, Management of***

Identifier: S-FW-LD-6001

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Product Assessment Team (PAT)	A system wide team responsible for identifying opportunities by product standardization by functional area (e.g. surgical services, medical surgical, cardiac cath lab, laboratory, and support services). The objective of the PAT is to reduce operational expenses through leveraging collective purchasing power, standardization and utilization efficiencies.
Product Review Team (PRT)	A team that is accountable for reviewing new medical products and equipment for Scripps Health, to promote cost effectiveness, revenue reimbursement, and patient safety, without compromising the quality of care. Each PRT is comprised of cross functional business units, to include finance, supply chain management, infection control, biomed, and clinical education for each hospital/clinic.
Proof Of Delivery (POD)	Information supplied by the carrier containing the name of the person who signed for the shipment, the time and date of delivery, and other shipment delivery related information.
Purchase Order (PO)	The physical form or electronic transaction a buyer uses when placing an order for goods, equipment, and services.
Receive Not Invoiced (RNI) Report	A report listing all of the Lawson PO lines that have been received, and are awaiting a matching invoice.
Receiving	The act of taking possession of goods, with inspection for conformance with the purchase order (quantity and damage), and delivery to the requesting location.
Request For Proposal (RFP)	An invitation for suppliers, through a bidding process, to bid on a specific product or service.
Return(s)	Material that has been rejected by the customer and is awaiting shipment back to the supplier for credit, repair or replacement.
Standardization	A strategy used to consolidate goods, equipment and/or services to a preferred supplier. Standardization provides lower operating cost for the organization because suppliers bid for our business based on volume, and offer more aggressive pricing for an opportunity to increase market share.
Unit Of Measure (UOM)	The unit in which the quantity of an item is measured, such as case of 144, package of 20, box of 12 for each of 1. Various UOM's may exist for a single item. For example, a product may be purchased in cases, stocked in boxes and issued in single units (each).
Value Analysis	A method to determine how features of a product or service relate to cost, functionality, appeal and utility to a customer.