

**TITLE: Acquisition of Goods and Services, Management of**

IDENTIFIER: S-FW-LD-6001

EFFECTIVE DATE:

APPROVED: Corp. Ops. & Strategy  
Council 06/23/15 Acute Care: ENC 07/01/15 GH 07/01/15LJ 07/01/15 MER 07/01/15

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 SHAS: 07/01/15KEYWORDS: Equipment, Hardware, Software, Biomedical, Requisitions, Purchase Orders,  
Goods, 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 corporate department. 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 goods, 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 Logistics (MOL) who is available to assist business units with all aspects of supply chain operations, to include: requisitions, purchasing procedures, receiving, supply cart replenishment, product selection, inventory management, product standardization, and other related operational services as needed.

- B. Requisition and Ordering Requirements:** All Scripps personnel 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 procurement of all goods and services. 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 non-authorized procurements that 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. Please reference the Capital Policy for additional Capital requirements.
- 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** All vendor setup and reactivation requests for procurement of goods and services must be submitted to Supply Chain Management. A New Vendor Setup Authorization Form and a W9 signed by the vendor must be submitted with the request. 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. After approval, the information will be forwarded to Accounts Payable.

### III. PROCEDURES

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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. **Supply Orders (Non-Capital)**
    - a. This type of order is processed through *Lawson Web Requisitions*. Links to all ordering systems can be located within the purchasing webpage on the Scripps Intranet.
    - b. For access to *Lawson Web Requisitions* new users will need to complete and submit an Automated Access Request Form (AARF). The form is located on Scripps Intranet. Any changes for existing user accounts also require an AARF.
    - c. Once access has been established to *Lawson Web Requisitions* on Scripps Intranet, 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 as referenced in Section 4 below.
    - e. Order inquires and status can be found in Lawson Web Requisitions. The SCM buyer is also available as a resource.
  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. An approved manual requisition will need to be completed and can be obtained from the 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 Recurring 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/or requires a commitment to purchase (e.g. Goods 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.

**4. Capital Requests**

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.

- 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.  
Please reference the Capital Policy for additional Capital requirements.

**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 generate a Remedy ticket incident number and notify the appropriate buyer. Upon completion, the buyer will notify the requester that the order has been placed, provide a Lawson requisition number and update Remedy accordingly. The requisition number can be used for reference when following up on the order.

- c. Once the product arrives it will be routed to the appropriate individual(s) within information services for deployment/installation.
  - d. The requester will receive an email advising that the request is completed.
6. **Office Product Requests (Excluding electronic storage devices)**
  - a. Request for office products are ordered directly through the contracted office product vendor via their online ordering system. Links to all ordering systems can be located within the purchasing webpage on the Scripps Intranet.
  - b. This system requires a User ID and Password to access. For access, complete and submit an Automated Access Request Form (AARF). The form is located on the Scripps Intranet.
  - 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. All forms and business cards are ordered directly through the contracted forms and business card vendor via their online ordering system. Links to all ordering systems can be located within the purchasing webpage on the Scripps Intranet.
  - b. This system requires a User ID and Password to access. For access, complete and submit an Automated Access Request Form (AARF). The form is located on the Scripps Intranet.
  - c. For new forms or revisions, contact the contracted forms vendor.
8. **Copier Requests**
  - a. For new copiers, replacements, or removal of copy machines contact The Scripps Help Desk.
  - b. For Copier repairs call the telephone number located on the machine. You will need to provide the asset number located on the machine.
9. **Furniture Requests**

For furniture requests, contact your local facilities department. After review and finalization, the order can be submitted through Lawson Web Requisitions.
10. **Construction Requests (CIP)**

For Construction requests, contact your local facilities department. After review and finalization, the order can be submitted through Lawson Web Requisitions.
11. **Other Purchasing Requirements**
  - a. Contact your Supply Chain Buyer for any questions relating to the acquisition of Goods and services.
  - b. Reference the Product Adoption Policy for new products, technology or services.
  - 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 Purchasing Manager, and site MOL 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 the Site Receiving Department for matching of the packing slip to the purchase order in the Lawson system.
  - f. To cancel a purchase order prior to receiving, contact the 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 identified procedural 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 procedure. Bill Only PO's are not authorized to be used for non-urgent supply replenishment or any other non-emergent acquisition. The Manager of Logistics will be responsible for assigning an authorized department requester to issue and manage the Bill Only PO log. Failure to comply with this requirement can result in revocation of this ordering privilege at the discretion of the Supply Chain Management Leadership.
- 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 the Site Receiving Department 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:**  
All outbound shipping is 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 92038
- 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)*, *Invoiced Not Received (INR)*, *Non-PO invoices report* and *AP Distribution*. The reports validate compliance with Supply Chain Management internal and external policy. Contact your MOL 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. System for Award Management (SAM). The Official U.S. Government system that consolidated the capabilities of CCR/FedReg, ORCA, and EPLS.  
<https://www.sam.gov/portal/SAM/#1>
      - 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 Acquisition of Goods and Services 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.
  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.
  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 will be sent to the vendor by Accounts Payable.
- P. **Vendor Contracts:** The term "Contract" as defined in this context means various types of written agreements related to the procurement of equipment, goods 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 without 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 critical 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 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 Oversight Committees (POC) 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 MOL, or designated Supply Chain Management Buyer for more information.
- S. **New Products, Vendors, and Services:** Reference the Product Adoption Policy for new products, technology or services.
1. **Product Oversight Committee (POC):** The POC's are responsible for reviewing opportunities to reduce Scripps operational expenses through leveraging collective purchasing power, collaboratively working towards goods and services standardization and achieving utilization efficiencies.
- 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. If for any reason a rebate check is sent to any Scripps location outside of Corporate Supply Chain Management, it is critical that the rebate check be forwarded to Supply Chain Management, Mail drop SV15, 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. Supply Chain Leadership 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 keeping competition open and fair.
  2. By discouraging revision of bids after final submission.
  3. By keeping buying specification fair and clear and not including impractical or unnecessary specifications.
  4. 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.
  5. 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 Purchasing Card Policy contains a listing of qualified and non-qualified use.

**Qualified Expenses**

1. Qualified expenses are small dollar purchases and high volume low dollar repetitive purchases that might otherwise require cash payment or short turnaround time not attainable through normal Supply Chain or Accounts Payable processes. The purchasing card can be used for in-store, telephone, mail order, fax or internet purchases. Purchases must be legitimate Scripps business expenses. No personal purchases are allowed, including purchases for spousal or family travel.

The following are examples of qualified expenses.

- a. Tools, parts and hardware
- b. Dues and subscriptions
- c. Travel, meals and business expenses for a Scripps employee including conferences and seminars
- d. Food for meetings and staff
- e. Gift shop resale purchases
- f. Fuel costs for Scripps owned vehicles
- g. Emergency repairs and maintenance excluding; IT, Medical and Biomed equipment (Emergency is defined as where utilizing the PO purchasing system is not conducive to the situation, i.e. Weekends, nights, non-business hours, where services are required immediately)

2. Purchasing cards are restricted from use for vendors that have an existing contract with Scripps Health and restricted from use are purchases of any computer hardware, software and removable storage devices. The online system is configured to deny authorization for payments to vendors specializing in computer hardware or software sales. Reference the *Acquisition Of Goods And Services* policy in combination with Supply Chain Management to identify and validate contracted Vendors. Vendor acceptance of payment does not indicate that payment was for a qualified expense authorized by Scripps. Cardholders are required to contact the Program Administrator immediately for assistance with a vendor denial.

3. The following are examples of other expenses that are not authorized for purchase card transactions:

- a. Personal, non-business purchases
- b. Capital purchases
- c. Office or medical equipment
- d. Computer hardware, software and removable storage devices
- e. Medical and surgical supplies
- f. Office supplies
- g. Cash cards
- h. Gift cards
- i. Employee awards or recognition (includes gifts, flowers, movie tickets and related items)
- j. Contracted services

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 Equipment Sales or Surplus:** Reference the Disposal, Transfer, Reuse and Data Sanitization of Equipment, Electronic Media, and Other Scripps Property Policy.

**IV. ATTACHMENTS**

Attachment A: Definitions

**V. RELATED FORMS**

- A. [New Vendor Setup & Reactivation Authorization Form](#)
- B. [Vendor Payment Method & Terms Request Form](#)

**VI. RELATED POLICIES**

- A. Conflict of Interest and Conflict of Commitment; S-FW-HR-0908
- B. Contracting and Signing Authority; S-FW-LD-1001
- C. [Product Adoption Policy](#); S-FW-LD-6005
- D. [Scripps Health Purchasing Card Policy](#); S-FW-LD-5205
- E. [IT and Biomedical Equipment Lifecycle Ownership, Tracking and Management Policy](#); S-FW-LD-6003
- F. [Capital Expenditure Process](#); S-FW-LD-5001

**VII. SUPERSEDED**

Acquisition of Good and Services, Management of; S-FW-LD-6001 09/09

**DEVELOPMENT SUMMARY**

**06/15 Revision:** This policy has undergone updates within the required procedures section:

- Re-emphasized that all non-capital supply, repair and service orders must be submitted through Lawson Web Requisitions (office products, forms and capital processes remain the same).
- Updated the copier request process to align with the new managed print environment
- Updated the Excluded Vendor Website Check web address
- Re-emphasized the P-Card qualified and non-qualified expense
- Referencing the capital Policy for additional requirements regarding capital procurements

**Development Workgroup**

<b>Representation</b>	<b>Member Name</b>	<b>Member Title/Discipline</b>
<b>Workgroup Leader/Author</b>	Joshua Spangler	Director, Procure to Pay
<b>Workgroup Member</b>	Eddy Coates	Manager, Purchasing and Acquisitions
<b>Workgroup Member</b>	Rick Gorton	Sr Dir, Facilities/Support Ops

**ENDORSEMENTS and APPROVALS**

<b>Function</b>	<b>Chair Name/Title/Position</b>	<b>Date of Endorsement and Approval</b>
<b>Executive Sponsor</b>	Richard Rothberger, Corp. Executive VP/CFO	06/04/15
<b>Corporate Operations &amp; Strategy Council</b>	Chris Van Gorder, President, CEO	06/23/15



**ATTACHMENT A: DEFINITIONS*****Acquisition of Goods and Services, Management of***

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<b>Acquisition</b>	The act of purchasing products, equipment, and services.
<b>Consignment</b>	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
<b>Electronic Data Interchange (EDI)</b>	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.
<b>Enterprise Resource Planning (ERP) System</b>	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.
<b>General Ledger (GL)</b>	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.
<b>Group Purchasing Organization (GPO)</b>	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.
<b>Invoice</b>	A detailed statement showing goods sold and amounts for each.
<b>Just-In-Time (JIT)</b>	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.
<b>Lot Number</b>	A sequence number associated with a specific batch or production run of products and used for tracking and audit purposes.
<b>Market Share</b>	The percentage of the total sales of a given type of product or service that represent given company or companies.
<b>Matched Not Invoiced (MNR) Report</b>	A Lawson report listing open invoices by PO Line, not yet matched with a Lawson PO receipt.
<b>Packing Slip</b>	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 Services, Management of***

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<b>Product Assessment Team (PAT)</b>	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.
<b>Product Review Team (PRT)</b>	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.
<b>Proof Of Delivery (POD)</b>	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.
<b>Purchase Order (PO)</b>	The physical form or electronic transaction a buyer uses when placing an order for goods, equipment, and services. A binding agreement between the buyer and seller. Only Supply Chain Management is authorized to generate a Purchase Order.
<b>Receive Not Invoiced (RNI) Report</b>	A report listing all of the Lawson PO lines that have been received, and are awaiting a matching invoice.
<b>Receiving</b>	The act of taking possession of goods, with inspection for conformance with the purchase order (quantity and damage), and delivery to the requesting location.
<b>Request For Proposal (RFP)</b>	An invitation for suppliers, through a bidding process, to bid on a specific product or service.
<b>Return(s)</b>	Material that has been rejected by the customer and is awaiting shipment back to the supplier for credit, repair or replacement.
<b>Standardization</b>	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.
<b>Unit Of Measure (UOM)</b>	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).
<b>Value Analysis</b>	A method to determine how features of a product or service relate to cost, functionality, appeal and utility to a customer.