

Procurement Policy

Applicable Facilities:	Mayo Clinic
Effective Date:	January 1, 2008
Revision Date:	N/A

Purpose:

This policy establishes procedures for use in the procurement of supplies, services and equipment to assure application of legal, ethical and sound business practices consistent with the Mayo Clinic Code of Conduct and Integrity Program. Any exceptions to this policy are noted below or require the approval of the Chair of Administration or Finance at the Mayo entity.

Definitions:

Contract – A legal agreement that establishes the rights and duties of the contracting parties and that constitutes a relationship giving each the right to seek remedy for the breach of those duties.

Disbursement Request – A formal request for payment to a supplier for only those items applicable for a disbursement request as specified in this policy. It includes authorized approval signature, supporting documentation, and accounting information. When working with a supplier who will be paid by a Disbursement requisition, please ask that the invoice reference the authorized signature's name, Mayo entity and department/division with remittance to Mayo Clinic Disbursements in Rochester. This will allow routing of the disbursement request for necessary approvals.

Evaluation – An appraisal of the value (safety, clinical efficacy, and/or cost effectiveness) for a supply, service or equipment. The supply, service or equipment is not currently utilized in education, practice or research. All supplies, services or equipment for evaluation will be at no cost to Mayo Clinic, unless approved by Procurement and requires a purchase order. All evaluations for supplies, services and equipment must abide by the Mayo Clinic Free Goods Policy.

Invoice - An instrument prepared by a seller of goods or services and presented to the buyer for payment, specifying type of services, goods, quantity and price of each type and terms of sale. Invoices should reference the purchase order number, Mayo entity and department/division.

Procurement Office – A unit and associated staff within a Mayo entity materials management operation that performs the function of converting an automated or manual requisition into a purchase order and transmits it to a supplier.

Purchase Order – A Mayo Clinic document that formalizes a purchase transaction with a supplier. Each purchase order should be based on a written contractual agreement with the supplier specifying key terms and conditions by which the parties will conduct business. A purchase order contains statements as to quantity, description, price, terms,

discounts, date of performance, transportation, and other factors pertinent to the purchase and its execution by the vendor. Acceptance of a purchase order by a supplier that includes Mayo's preferred terms and conditions shall constitute a contract.

Requisition – A written or electronic request for a purchase order. This is a Mayo Clinic internal process which requests a purchase order, and may not be used in lieu of a purchase order or given to a supplier.

Supplier (Vendor) - Any organization or individual who sells or offers to sell supplies, services and equipment to Mayo Clinic.

Trial – The application or testing of a supply, service or equipment in practice, education or research to validate safety, clinical efficacy and /or cost effectiveness. The supply, service or equipment is utilized in education, practice or research. Supplies, services or equipment for trial are provided to Mayo Clinic at no cost, unless approved by Procurement. Such items must abide by the Mayo Clinic Free Goods Policy and require a purchase order number.

Policy Statements:

The role of the Procurement Office is to meet the needs of Mayo Clinic for the safe, efficient, and cost-effective purchase of supplies, services, and equipment. The goal is to assure the application of legal, ethical, and sound business practices consistent with the Mayo Clinic Code of Conduct and Integrity Program. This includes the application of those federal requirements pertinent to the expenditure of federal funding sources. Each Mayo Clinic Supply Chain / Materials Management Department will determine the necessary review required with a contract (e.g., legal department)

Procurement is an important activity where it is necessary that the responsibility for buying supplies, services, and capital equipment be assigned to staff skilled in the negotiation, contracting, and procurement processes.

It is the responsibility of every Mayo Clinic Supply Chain / Materials Management Department to implement procedures and processes to comply with this policy.

Failure to follow the approved procurement process may result in inefficiencies and the deterioration of internal controls with the purchasing process. Examples of risk associated with bypassing Procurement include:

- Not obtaining the best price, terms, and conditions available.
- Violating the terms of existing contracts for similar goods.
- Inappropriate financial remuneration to an organization and / or individuals (e.g., illegal kick-backs or other regulatory violations).
- Unnecessary sales tax may be paid or failure to report sales tax.
- Patient / staff safety due to inability to track supplies or devices that are subject to recall.
- Purchase from Medicare sanctioned suppliers, which can lead to financial penalties.
- Devices may not have received market approval (e.g., FDA).
- Non-compliance to standards related to research grants, agreements, and contracts.

- An individual purchasing supplies, services, or equipment and subsequently seeking reimbursement may result in the reimbursement being reported as taxable income for the individual without proper documentation.

The procurement and acquisition of supplies, services, and capital equipment is the responsibility of the Procurement Office located within each Mayo Clinic Supply Chain / Materials Management Department. A purchase order is required for all purchases and acquisitions of supplies, services, and equipment, including items that are no-charge, such as evaluations and trials. The only exceptions are formally approved procurement card purchases, supplies / services approved for acquisition using a disbursement requisition, and approved receipt settlement processes as noted below. Violation of the procurement policy by an individual may result in disciplinary action.

Procedure Statements:

I. Authorization for Requisitions, Purchase Orders, Rebates, and Contracts

Authorization for committing Mayo Clinic funds is designated by institutional policy. All Mayo Clinic employees, along with the Procurement function, are responsible for ensuring that institutional policy is followed.

Requisition Authorization: The Asset Acquisition and Lease Authorization Guidelines are found at <http://mayoweb.mayo.edu/consolidationsunit/AssetAcquisitionandLeaseAuthorizationGuidelines.html>. The Supplies and Services Authorization Guidelines for all Mayo Clinic locations are found at <http://mayoweb.mayo.edu/consolidationsunit/suppliesandservicesauthorizationguidelines.html>.

Purchase Order Authorization: Authorization to commit Mayo Clinic resources requires a purchase order to be issued by Procurement. Unless those items specifically noted below requiring a Disbursement Requisition or an Approved Receipt Settlement Process all supplies, services, and equipment require a purchase order.

The matrix attached as an exhibit is for illustrative purposes of those supplies, services and equipment that require either a purchase order or a disbursement requisition. It should not be interpreted to be an all-inclusive listing.

Disbursement Request: The following items do not require a purchase order:

1. Advertising using newspapers, magazines, radio, or television.
2. Consulting (see policy at <http://mayoweb.mayo.edu/lca/proconconsulting.html>) and professional fees.

3. Contract personnel / agencies / temporary services.
4. Payments / fees for construction projects under contract with a general contractor / subcontractor(s) (e.g., permits, designs, contract payments).
5. Non-taxable employee reimbursements.
6. Professional fees, memberships, and dues.
7. Seminars, workshops, and registration fees.
8. Speaker fees and honorariums.
9. Taxes and professional licenses
10. Utilities
11. Any other supplies, services and equipment would need to be pre-approved by the Chair or Director of Materials Management, or their designee.

Approved Receipt Settlement Process: Additional exceptions to purchase orders, based on the ability to have an approved receipt settlement process include:

1. Order entry, electronic invoice, and payment transactions with Cardinal Health for drug distribution.
2. Ordering processes, invoicing and payment for perishable food and groceries established with a food supplier (e.g., Entegra).
3. Office supplies, using Corporate Express' on-line requisitioning (E-Way.)

Competitive Bid Requirement – Mayo Clinic requires any new or renewed contract for supplies, equipment or services with an expenditure greater than (>) \$100,000 per year be competitively bid unless there is justification for awarding or continuing an agreement for business needs. Exceptions to this requirement must be approved in writing by completing a form documenting the request, justification and approvals granted. The form may be obtained by contacting your materials management department or the Supply Chain Management Division. Procurement of supplies, equipment, and/or services using research grants or Federal funds have more restrictive requirements (lower bid thresholds).

Contract Authorization: Authorization to sign contractual agreements (contracts, agreements) for the acquisition, purchase and / or consignment of supplies, services, and equipment is limited to corporate officers and to individuals who have been given written, delegated signature authority from a corporate officer.

Rebate Authorization: Authorization to agree to and accept rebates is limited to corporate officers and to individuals who have been given written, delegated signature authority from a corporate officer. Rebates must be managed to ensure legal compliance and accurate Medicare reporting. The Mayo Clinic Rebate Allocation Process is located at: (<http://socrates.mayo.edu/finance-mm/documents/WebRebateAllocationProcess.pdf>).

Purchase Order Requisition: The Procurement Office will determine the source, price, terms, and conditions for the procurement of supplies, services, and equipment with input from key customers/users; obtains and / or reviews the quotes; collaborates with customers whenever the quantity or specifications are inconsistent with sound purchasing practices or contractual commitments; places the orders for requisitions with appropriate approvals; ensures delivery will meet customer needs; and manages the order through payment, along with the vendor relationship.

Each Mayo Clinic employee will need to prepare a purchase requisition (manual or electronic) and submit to the Procurement Office. It will be the responsibility of the Procurement Office for validating the quality, quantity, and rationale for purchases requested in order to assure the most efficient cost-effective purchase possible.

The Procurement Office staff has the authority within authorized product categories to make exceptions and substitutions based upon group purchasing contracts and Mayo-committed agreements. Requisitions and subsequent purchase orders may be evaluated for contractual alignment and compliance. In addition, special order (X) item (i.e., items without a price in the Item Master and/or linked to a contractual agreement) may be assessed for other functionally equivalent products under contract. The Procurement office may make exceptions or substitutions for these items based on contractual alignment and compliance after conferring with the customer. Further, the Procurement Office may defer the purchase to an appropriate approval body prior to processing the order, based on group purchasing contracts and Mayo-committed agreements. The purpose of this review is not to interfere with clinical practice and service to Mayo patients. Initial non-compliant requisitions may be processed and later reviewed for correction in the future.

A purchase order will be required for all purchases and acquisition of supplies, services, and equipment, with the exception of formally approved procurement card purchases and supplies / services approved for use with a Disbursement Requisition. The Procurement Card Program Policy for Mayo Clinic Rochester can be found at the following website (<http://socrates.mayo.edu/finance-mm/documents/WebProcurementCardProgram.pdf>).

The Procurement Card Program Policy for Mayo Clinic Scottsdale can be found at the following website: http://mcsweb.mayo.edu/Dept/Materials_Management/Documents/CREDIT_CARD_POLICY_MM_1.13.doc

When working with a supplier who will be paid by a Disbursement Requisition, please ask that the invoice reference the authorized signature's name, Mayo entity and department/division, with remittance to Mayo Clinic Disbursements - Rochester. This will allow Disbursements to appropriately route it for the approval process.

Third-party contracting, such as consultants and trainers, has specific Mayo Clinic policy requirements which can be found at (<http://mayoweb.mayo.edu/finance-fmm/documents/PPthirdpartycontracts.pdf>).

Procurement For and/or From Employees: No employee will be allowed to purchase any equipment, supply, or service for non-Mayo use through the Procurement office. Mayo Clinic shall not purchase products or services from an employee or a close relative of any employee. Please refer to Mayo Clinic's Code of Conduct and Integrity Program and Conflict of Interest Policy. Exceptions may be made to this prohibition after proper disclosure and review by the Conflict of Interest Committee, if necessary. The Procurement Office staff is the only personnel authorized to contact vendors for the purposes of placing orders for materials, services, supplies, and equipment. All negotiations are to be handled by the appropriate contracting personnel.

Purchase Order Timing and Invoice Requirements: A purchase order must be issued prior to supplies / equipment delivery. Suppliers are not to be provided a verbal order without a purchase order number being issued by the Procurement Office. Departmental representatives must communicate to the Procurement Office when extenuating circumstances require a vendor delivery without a purchase order (e.g., surgical procedure requiring a special implant during the night).

A purchase order number must appear on all packages, packing lists, invoices, and correspondence related to the purchasing order. This is required for payment to occur. Any revisions to a purchase order must be authorized and issued by the Procurement Office in the event a department needs an adjustment for such items as quantity, catalog number, cancellations and / or changes.

Procurement Sourcing and Receiving: The Procurement Office will determine the best distribution channel for purchases. This may include purchasing it either directly from the manufacturer, or through an established distributor. Purchases through any web sources are not allowed, unless approved and executed by Purchasing. All crates, cartons, packages, etc. must show the Mayo Clinic purchase order number, and a packing slip must accompany each shipment. Ideally, complete shipments should be made at one time. Deliveries are to be made to the locations specified on the purchase order. Supply representatives that are required to deliver an item directly to a department, based on extenuating circumstances and the request by the department, must also deliver to the Receiving area that packing slip signed by the departmental representative, along with their phone extension. Payment for items delivered in any other manner is not guaranteed by Mayo Clinic.

Purchase Order – Standing Orders: The Procurement Office will determine appropriate use of standing orders. In general, the

Procurement Office does not endorse the use of standing orders. When utilized, these types of orders are to provide the most cost-effective purchase, and avoid product deterioration to optimally benefit the institution. Standing orders are used for supply items that are ordered on a repetitive basis and will not exceed a twelve-month time period. The Procurement Office may negotiate extensions when appropriate and necessary.

Purchase Orders – Service and Repairs: Mayo Clinic's Facilities and Engineering Departments must approve all medical equipment, maintenance, and service contracts prior to executing a purchase order. Department managers will work in conjunction with the Engineering Departments to determine the need for such contracts and their subsequent coordination.

All medical equipment and repairs must be coordinated through the appropriate clinical Engineering Department. Departments will evaluate the need for repair, and assistance from the Engineering Department will notify the Procurement Office for a purchase order if outside services are needed.

Freight, Terms and Conditions: It is the responsibility of the Procurement Office to negotiate shipping and handling costs for the orders and to assess when those fees should be added as a separate line-item to the purchase order.

Leases, Maintenance and Service Agreements: The Procurement Office will solicit, review, and negotiate terms and conditions and administer bids for equipment leases, maintenance and service contracts. A decision to lease or rent versus purchase of a piece of equipment will be made jointly by Finance, Procurement, and the requesting department. Capitalized leases are treated as capital expenditures; operating leases are treated as expenses across Mayo Clinic. (MHS sites may vary). The approval process, including appropriate analytical support is outlined in Mayo Clinic's accounting policies. The guidelines may be found at: <http://mayoweb.mayo.edu/consolidationsunit/leaseclassification.html>. A purchase order should be prepared for an approved operating lease in accordance with this policy. Leases and/or capital purchases will be accounted for in accordance with the Asset Acquisition and Lease Authorization Guidelines.

Approved by: Supply Expense Coordinating Committee on 10-18-06
Materials Management Operations Oversight
Committee on 11-30-06
Board of Governors 12-03-07

**Date of Last IPC
Review:**

**Next Scheduled
IPC Review Date:**

Contact Persons: Jim Francis
Mayo Clinic Supply Chain Management

Resources: N/A

**Related
References:** N/A

Appendix A

PURCHASE ORDER – The following supplies, services and equipment require a Purchase Order	DISBURSEMENT REQUEST - The following items do not require a Purchase Order and may be processed for payment utilizing a disbursement request.
<ol style="list-style-type: none"> 1. Books, directories, videos, and manuals. 2. Capital and minor equipment and furniture (including equipment for evaluation). 3. Maintenance, repairs, and facility services projects that are not under contract with a general contractor/subcontractor(s). 4. Printing (forms, labels, and educational materials, unless where internal Mayo Clinic printing services are not used). 5. Advertising using printed materials or brochures (where internal Mayo Clinic printing services are not used). 6. Purchased services / equipment rentals / lease agreements. 7. Equipment maintenance contracts and service agreements. 8. All supplies, materials, and products (whether for purchase or evaluation.) 	<ol style="list-style-type: none"> 1. Advertising using newspapers, magazines, radio, or television. 2. Consulting (see policy at http://mayoweb.mayo.edu/lca/proconconsulting.html) and professional fees. 3. Contract personnel / agencies / temporary services. 4. Payments / fees for construction projects under contract with a general contractor/subcontractor(s) (e.g., permits, designs, contract payments.) 5. Non-taxable employee reimbursements. 6. Professional fees, memberships, and dues. 7. Seminars, workshops, and registration fees. 8. Speaker fees and honorariums. 9. Taxes and professional licenses 10. Utilities. 11. Any other supplies, services and equipment would need to be pre-approved by the Chair or Director of Materials Management, or their designee.