



MOUNT SINAI
SCHOOL OF
MEDICINE

Mount Sinai Medical Center Purchasing Policy User's Guide

June 2011
Release 4

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PURCHASING DEPARTMENT CONTACT LIST

Mount Sinai Hospital - Purchasing Division

Box 3600, main telephone number 212-241-6000, fax number 212-860-0587

The Mount Sinai Hospital (Main Campus/Queens) Division - Purchasing Division is located at 633 Third Avenue on the 10th Floor

| | | |
|----------------------|--|----------------|
| Bonanno, George | Associate Director of Purchasing | (212) 731-3490 |
| Colaie, Gail | Associate Director of Purchasing | (212) 731-3339 |
| Cuva, Richard | Sr. Buyer / General Commodities (IT Equipment) | (212) 731-3423 |
| De Jesus, Erica | Data Specialist I | (212) 731-3524 |
| DeMartis, Michael J. | Director of Purchasing | (212) 731-3357 |
| Diaz, Vanessa | Buyer / Med. Surg. | (212) 731-3383 |
| Harper, Deborah | Data Specialist I | (212) 731-3517 |
| Joyce, Erneris | Senior Buyer / Med. Surg. | (212) 731-3349 |
| Medina, Nereida | Administrative Assistant | (212) 731-3122 |
| Martinez, Carmen M. | Client Services Representative | (212) 731-3093 |
| Mercado, Miguel | Buyer / Med. Surg. | (212) 731-3387 |
| Mercedes, Luccy | Senior Buyer / Capitals / Contracts | (212) 731-3190 |
| Pascual, Ronald | Manager - Capitals / Contracts | (212) 731-3316 |
| Polovetz, Robert | Senior Buyer – Capitals / Contracts | (212) 731-3639 |
| Rios, Rosemarie | Data Specialist | (212) 731-3076 |
| Ruiz, Tania | Buyer / General Commodities | (212) 731-3079 |
| Sobhai, Bramdat | Senior Buyer / Med. Surg. | (212) 731-3569 |
| Vega, Ericka | Customer Service Manager | (212) 731-3270 |
| Vega, William | Senior Buyer/Med. Surg. | (212) 731-3433 |
| Weingrow, Jill | Buyer / Med. Surg. | (212) 731-3426 |

Mount Sinai School of Medicine - Purchasing Division
Box 1661, main telephone number 212-731-3278, fax number 212-731-3408

*The Mount Sinai School of Medicine Division - Purchasing Division is located
at 633 Third Avenue on the 10th Floor*

| | | |
|--------------------|---|----------|
| Amonsomkiat, Chad | Buyer for Laboratory Maintenance / Contracts / Moving / Gases | 731-3924 |
| Brathwaite, Keisha | Administrative Assistant / Contracts & Renewals / Individual Consultants | 731-3278 |
| Nesmith, Reggie | Buyer for Medical Surgical / Laboratory | 731-3966 |
| Palumbo, Matthew | Buyer for Facilities / Engineering / Furniture / Outside Services | 731-3496 |
| Perry, Luana | Buyer for Office Supplies / Computers / Office Equipment | 731-3957 |
| Reisman, Richard | Buyer for Capital / Laboratory / Medical Surgical | 731-3834 |
| Weinberger, Joel | Director | 731-3366 |

Purpose

The purpose of the Mount Sinai Medical Center Purchasing Policy is to clearly describe the policies related to the purchasing of goods, supplies, capital items, services, and construction for the MSH and MSSM.

NOTE: This policy supercedes existing MSH Purchasing policies and complements the MSSM policy developed for the Sinai Central – Finance Online Purchasing System.

The provisions of this policy contained herein are subject to future audit review and monitoring on a periodic basis.

Objectives and Standards

The basic purchasing objective is to secure the most appropriate goods, supplies, capital items, services, and construction at the lowest available price, consistent with quality requirements and delivery needs as will best promote the interests of the Mount Sinai Medical Center. The practice of competitive bidding, whether formal (sealed bids or proposals) or informal (quotations), not only tends to ensure reasonable prices, but also guards against favoritism and fraud, and should therefore be used to the extent practicable, as provided herein. All purchases should be made by the respective Purchasing department except when purchased via the Mount Sinai School of Medicine's Online Procurement System, Pathways Materials Management System (PMM) or through Emergency Purchase orders, issued in advance, to departments who justify a need to the Director of Purchasing (MSH or MSSM). An approved purchase order is required prior to the purchase, lease, rentals or trials of any goods, capital items, services, supplies and construction.

The prevention of fraud, waste and abuse is a major goal of this policy. In this regard, all employees, especially procurement officials, must scrupulously follow and enforce its mandates as well as ensure full compliance with MSH/MSSM ethics regulations. Failure to comply could result in disciplinary action up to and including removal from employment.

It is the Mount Sinai Medical Center's (MSMC) policy that all properly approved, competitively priced purchase requisitions are processed in a timely fashion and resulting payment through the Accounts Payable department are accurate.

The characteristics of the system of controls that promote this general purchasing policy apply to the purchase of all goods, supplies, capital items, services, and construction including:

- The purchasing function is organized with the consolidated Purchasing Department and Accounts Payable functions;
- The MSH and MSSM have established specific accounts and methods for properly processing all purchases so they are charged to the various expense and/or capital accounts; and
- Each department, in conjunction with the respective entity's finance function (MSH Finance or MSSM Finance), defines the proper assignment of responsibilities for purchasing transaction approval.

HIPAA, Small Business Initiatives and Conflicts of Interest Policy Guidelines

- HIPAA** refers to the Health Insurance Portability and Accountability Act of 1996. HIPAA regulations are governed by the United States Department of Health and Human Services. Under HIPAA regulations, as they relate to the purchasing of goods, supplies (commodities), and services, a *covered entity* (i.e., MSH, MSSM) must obtain a signed Business Associate Agreement (BAA) from a vendor doing business with the covered entity, when the vendor has access to patient information as a result of their contractual work for the covered entity. The term *contractual work* includes, but is not limited to, the issuance of purchase orders and signed agreements. All completed BAAs must be submitted to the Purchasing department to be maintained on file for audit purposes. The Purchasing department will also file a copy of each BAA with the MSMC Compliance Office.
- Mount Sinai is committed to providing support for small business concerns of all types (small businesses, small disadvantaged businesses, women-owned small businesses, veteran –owned small businesses, service disabled veteran owned small businesses and small businesses located in historically underutilized business zones).

As such Purchasing ensures that the maximum practical numbers of small businesses is included in the competitive bidding process in an effort to comply with Executive Order 11246 and Public Law 95-507 reporting requirements.

A list of small business vendors is available on Mount Sinai's Department of Finance Website in Grants and Restricted Funds Policies and Procedures under the policy for Small Business Subcontracting Plan. ([Mount Sinai - Department of Finance](#))

- The Mount Sinai Medical Center has a long-standing *Conflicts of Interest Policy* that requires all employees and faculty members to disclose any relationship that they may have with a company or outside organization that does business with Mount Sinai (e.g., provides goods or services to the institution) or sponsors research at Mount Sinai. To that end, all employees and faculty members must read and understand the principles outlined in the Institutional Conflicts of Interest Policy and report any financial interests, as defined, in accordance with the procedures outlined in the policy.

Purchasing Function

- MSH Purchasing Division (Main Campus/Queens Campus)

The Purchasing staff is responsible for assisting management, department administrators and staff in the purchase of all goods, supplies, capital items, services, and construction at the best prices in a timely fashion. The Accounts Payable staff is responsible for accurately processing properly approved invoices for all goods, supplies, capital items, services, and construction received by MSH (Main Campus/Queens Campus).

- The MSSM Purchasing Division

The Purchasing staff is responsible for assisting the Deans, Chairmen, faculty and staff in the purchasing of all goods, supplies, capital items, services, and construction at the best prices in a timely fashion. The Accounts Payable staff is responsible for accurately processing properly approved invoices for all goods, supplies, capital items, services, and construction received by the MSSM.

NOTE: The Accounts Payable department operates as a completely separate and distinct function from the Purchasing Divisions.

- Purchasing Function Responsibilities

- Obtain bids / quotes from vendors and performs cost / price analysis to facilitate competitive pricing. Requisitioning departments should not engage in the solicitation of bids from vendors.
- Pre-qualify or credentialize all MSMC vendors utilizing the MSMC's vendor credentialing service provider, Vendor Credentialing Service, LLC (VCS).
- Assist and consult with various MSH and MSSM management, departmental administrators and staff about approval protocols according to established purchasing policies and procedures. These policies and procedures promote strong internal controls to ensure that only those goods and services approved for purchase are charged accurately to specific accounts.
- Accurately processes a properly approved Combination Purchase Requisition - Order.

NOTE: The proper approval of purchase requisitions is the responsibility of MSH and MSSM management as well as the various departments in order to establish the approval protocols and communicate such protocols to the respective Purchasing department. The Purchasing department does not approve purchase requisitions.

Vendor Credentialing / Pre-Qualification of Vendors / Excluded Vendors / Other

- All new and existing vendors must be pre-qualified by the Purchasing department and/or by VCS. For vendors with annual purchases exceeding \$50,000, initial credentialing (or “pre-qualification”) via Dun & Bradstreet and the OIG Excluded Party List is sufficient to make an initial purchase, but prior to issuing subsequent orders, the vendor must be registered using VCS. All other vendors must undergo, at the very least, the initial credentialing process (pre-qualification). Such pre-qualification includes the following sources: **either** (1) accurately and successfully complete a vendor questionnaire **or** (2) having a favorable Dun & Bradstreet or New York City Vendex report obtained on the vendor **in addition to** (3) the vendor is not on the Office of the Inspector General Excluded Party List nor any government suspended / disbarred list.
- All new vendors with anticipated annual purchases exceeding \$50,000 must undergo the vendor credentialing process using VCS. Additionally, any vendor that was initially not credentialed due to lower anticipated purchases will appear on a monitoring report upon attaining the \$50,000 threshold and will be required to undergo the credentialing process at that time.
- All new construction related vendors, and any construction related vendor with a prior year spend of over \$50,000 must be credentialed by VCS. Vendor information is to be provided to VCS for credentialing, and VCS retains the responsibility of registering the vendors, once MSMC provides the appropriate vendor contact information.
- The decision on whether or not a contracted job or individual is to be *bonded* will be the responsibility of the requisitioning department that has developed specifications for work to be performed, consistent with applicable law. If bonding is required, all vendors must comply with the requirement in order to have their bid considered by the MSMC.
- All vendors must be insured, licensed, and bondable (performance and/or individual’s) to the extent required by Federal, State, and Local law. It is the responsibility of the Purchasing department and or the requisitioning department to verify compliance.
- Vendors selected under a Group Purchasing Organization (GPO) Contract or New York State Contract do not have to be pre-qualified by the Purchasing department.
- All vendors need to fully disclose any financial or other relationship with any individual employed by MSMC.

ALL DEPARTMENTS excluding ENGINEERING AND FACILITIES MANAGEMENT

A. Competitive Selection Process

NOTE: An approved purchase order is required prior to the purchase, lease, rental or trial of any goods, supplies, (commodities), capital items, and services.

In the event that quotes are not received by the Purchasing department directly, the requisitioning department must maintain received quotes and forward a copy to the Purchasing department where they are subject to review and verification prior to the issuance of a purchase order.

- 1. Purchases / Contracts of goods, supplies (commodities), capital items, and services below \$10,000:** Competitive bidding is encouraged when the Purchasing department buyer

determines that the current pricing is not considered competitive; however, competitive bidding is not required. A purchase requisition approved by the requisitioning department management and a purchase order issued by the Purchasing department is required prior to any purchasing of goods, supplies and services being obtained.

- 2. Purchases / Contracts of goods, supplies (commodities), capital items, and services \$10,000 to \$25,000:** A minimum of three (3) *informal quotations (bids)* from pre-qualified vendors, either verbal, by fax, or in writing offering such commodity/services solicited by the Purchasing department. The quotations or bids must include, at a minimum:

- (1) company name,
- (2) contact person at the company,
- (3) phone number,
- (4) the date of the price quotation, and
- (5) the quotation amount.

Verbal bids will be documented by the Purchasing department via a bid summary sheet. Each quote will be documented with the following information: each company that submitted quotes, each company's quote, and the vendor selected.

- 3. Purchases / Contracts of goods, supplies (commodities), capital items, and services over \$25,000:** A minimum of three (3) *sealed written bids (or electronically formatted)* must be obtained by way of a Request For Proposal (RFP) sent by the Purchasing department to pre-qualified vendors. If less than three (3) bids are received, the Purchasing department will follow up with the vendors to ascertain why they failed to submit a bid. Additionally, if time permits, the Purchasing department will attempt to obtain a bid from a fourth vendor.

- The respective requisitioning department personnel shall develop the RFP. The Purchasing department will review the RFP prior to release to vendors.
- The RFP will be released to vendors by the Purchasing department with a copy to the respective requisitioning department listing the date the RFP was released, the vendors receiving the RFP, and the response due date.
- RFPs requiring a vendor visit will be coordinated by the requisitioning department. It is the responsibility of the requisitioning department to notify the Purchasing department of all scheduled vendor visits. A representative from the Purchasing department may be present at scheduled vendor visits. All vendors interested in submitting an RFP response must attend the vendor visit, when required, at the same time, in order to ensure consistent dissemination of information. All vendor visits will be documented by the requisitioning department and/or the Purchasing department with the following information: date, time, vendors in attendance, vendor contact information, questions asked by the vendors, and relevant answers provided. Answers to questions provided at a later date will be forwarded to all vendors in attendance, in writing, by the Purchasing department.
- All responses to the RFP must be returned to the Purchasing department mailbox directly from the vendor. *It is at the discretion of the Director of Purchasing to accept proposals received after the RFP due date deadline.* The Purchasing department and the requisitioning department must review, evaluate, document and tabulate all bids contained in the proposals received before a contract award is made. Documentation will be maintained by the Purchasing department indicating why a particular vendor was selected.

B. Special Circumstances – Competitive Bidding Requirements

NOTE: Some circumstances, as described below, require written justification to accompany the Combination Purchase Requisition – Order when being submitted to the Purchasing department. Written justifications must be signed and dated by the appropriate party in the requisitioning department.

All instances below are subject to future audit review and monitoring on a periodic basis:

1. *Group Purchasing Organization Contracts / New York State Contracts:* The purchase of any commodities or services, regardless of amount, from an existing Group Purchase contract from which the MSH and MSSM have access or a New York State Contract, does not require the solicitation of competitive bids or proposals. However, as bidding can result in substantial savings, *supply* purchases made on Group Purchase contracts over \$100,000 are required to be bid.
2. *Sole Source:* The purchase of any commodities or services, regardless of amount, where it can be substantiated that only one vendor or contractor has exclusive rights (e.g., rights to data, patent or copyrights, proprietary interests or secret processes) to the manufacturing / servicing of the product or service, does not require the solicitation of competitive bids or proposals. Sole Source requirements must withstand the questions of:

(1) Is the commodity or service the only of its kind, which can fully satisfy the business requirement?

(2) Is the commodity available from only one source?

The requisitioning department must be able to justify and document the selection of the vendor and establish the reasonableness of the price. The justification must include supporting documentation received directly from the vendor specifically identifying the exclusive rights they possess, be approved by the Vice President of the department / Medical School equivalent and co-signed by the Chief Financial Officer. Additionally, a copy of the written justification and supporting documentation must be forwarded by the requisitioning department to the Purchasing department to be maintained in the Purchasing department's file, supporting the sole source vendor selected. (Refer to Single (Directed) Source to compare requirements)

3. *Single (Directed) Source:* The purchase of any commodities or services, regardless of amount, where it can be substantiated that only one vendor or contractor provides a good or service that is distinguishable from others in the market place and singularly meets all significant elements of the business requirement, does not require the solicitation of competitive bids or proposals. The requisitioning department must be able to justify and document the selection of the vendor and establish the reasonableness of the price. The use of databases such as ECRI or MDBuylines is sufficient to substantiate the reasonableness of pricing, but is not sufficient to justify purchases alone. Additionally, the Purchasing Department must maintain written justification in their files supporting the single (directed) source vendor selected, approved by the Vice President of the department / Medical School equivalent and co-signed by the Chief Financial Officer. (Refer to Sole Source to compare requirements)

NOTE: Directed Source purchases of Medical / Surgical Supplies whereby favorable pricing is negotiated directly with the Manufacturer (by or at the supervision of the Purchasing Department) to achieve cost savings through the purchase of a specific product or bundling of products only requires one justification form to be completed and maintained in the Purchasing Department File. This justification must be approved by a Vice President of the Hospital / Medical School equivalent and co-signed by the Chief Financial Officer.

Additionally, for each purchase made under these types of purchase orders, the requisitioning department needs to only reference the master justification and not complete a separate justification each time a product(s) is ordered.

4. **Emergency Purchases under \$50,000:** An Emergency Purchase is defined as the purchase of commodities or services, regardless of amount, where the purchase was made as a result of an unexpected event that creates a health or safety risk to individuals, property, or to Mount Sinai as an institution. The requisitioning department must notify the Purchasing department of the Emergency purchase by the next business day. ***A “Pending” requisition for emergency purchases must be submitted to the Purchasing department by the next business day with the completed requisition submitted within five business days after completion of the emergency work / purchase.*** The requisitioning department must be able to justify and document the selection of the vendor and establish the reasonableness of the price. Additionally, they must maintain written justification in the Purchasing department’s file supporting the vendor selected, approved by the Department Head / Medical School equivalent and co-signed by the Director of Purchasing.

Emergency Purchases over \$50,000 – After pricing information has been received and finalized by the requisitioning department, any emergency purchase in excess of \$50,000 (or invoice threshold requiring higher signature approval) also requires approval by the Vice President of the department / Medical School equivalent before being forwarded to the Purchasing department for final processing. It is the responsibility of the Purchasing department to substantiate if the requirements for emergency purchases have been met.

5. **Standardized Purchases:** On occasion, the institution will have established standards for equipment (such as IT equipment or medical equipment). In the event that purchases are made pursuant to established standards, as approved by Senior Management, strict adherence to the policy may not be possible. Documentation related to the nature of the standardized product and demonstrating conformity with pre-established institutional compliance is necessary. If a fully vetted contract with a manufacturer exists, the procedures used for Manufacturer’s Negotiated Discounts will apply. However, in cases where bidding is possible, the purchasing department should use established bidding procedures.

C. Competitive Bid or Proposal Considerations:

- The contract should be awarded to the lowest qualified bidder.
- The MSH and MSSM should only award contracts to pre-qualified vendors.

D. Evaluation of Proposals:

- Written evaluation criteria must be established between the requisitioning department and the Purchasing department, prior to initial receipt of proposals. These criteria must be applied uniformly, and may not be changed after receipt of proposals.
- When cost factors (e.g., extended warranty coverage, maintenance, and supply costs) in addition to the base bid price are to be considered as part of an RFP, each factor must be identified in the RFP.
- The Purchasing department must perform the *opening of the Bids (Certificate of Bid Opening)*. Further, documentation must be maintained by the Purchasing department,

which indicates the vendors who offered proposals, quotation amounts, and which vendor was selected. This is referred to as the *Tabulation* of the proposals and is documented on a Summary of Bids Sheet. If the vendor selected was not the lowest bidder, a detailed explanation must be provided by the requisitioning department Vice President / Medical School equivalent and the Director of Purchasing as to why the vendor was selected.

E. Other Special Circumstances

- Change Orders:*** Change orders should always be kept to a minimum. However, whenever change orders are required, their combined value should not exceed 20% of the original purchase order amount. In those instances where the change order amount exceeds 20% of the original purchase order amount and exceeds the competitive bidding thresholds, at the Purchasing department's discretion, either a competitive bidding process will take place or the requisitioning department will be required to justify and document the reason for the excessive change order amount. If the justification route is chosen, it must be approved by the Vice President of the department / Medical School equivalent and co-signed by the Director of Purchasing.
- Blanket Purchase Orders (BPO):*** Once a vendor has been selected and assigned an approved BPO, all purchases must be applied against the BPO if the work the vendor performs is similar in nature to the work for which the BPO was established.
- Vendor Rotation:*** Where appropriate, this policy allows for the issuance of business to competing vendors via separate purchase orders. The competitive process allows for multiple contract awards provided all vendors agree to the lowest bid price. Allocation of quoted business is to be equitable. A request for vendor rotation may be made by the requisitioning area or at the discretion of the Purchasing department, based on the specific business need for the commodity/service. Contract awards may be for a fixed period of 1-2 years, with an option to renew for a 1 year period, contingent on market price fluctuation.
- Established Contract Renewals:*** Established, vetted contracts have varying terms of duration and require occasional renewal. When possible, services and products under such contracts should be subject to the bidding process, prior to the extension of a contract. If such bidding is not possible (due to the nature of the products/services, or other circumstances), a directed or sole source justification form must be used describing the need for renewal, and ultimately, to be approved by the Chief Financial Officer, who will attest to the necessity of renewal without subjecting the purchase to bidding procedures.
- Reverse Auctions:*** A reverse auction is a live competitive bid which takes place at a predetermined date and time on the internet, among qualified vendors, who are pre-selected. The benefit of conducting a competitive bid by reverse auction is that bidders have a specified period of time to place a bid price against their competitors' bid price without knowing whom they are bidding against. Vendors may submit more than one price during the bidding period, with the award going to the vendor with the lowest price at the end of the bid period.
- Donor-Funded Projects:*** Donor-funded projects may involve special circumstances based on the requirements placed on the project by the individual donating the funds to the MSH or MSSM. When a project is donor-funded, the following considerations are applicable:
 - Donor Directed Funds*** – Specific vendors are selected for use, at the request of the donor, for the project they are funding. *Competitive bidding is not required.* However,

the requisitioning department must document the selection of the vendor based on the donor's requirements, approved by the Vice President of the department / Medical School equivalent and co-signed by the Director of Purchasing. Additionally, a copy of the written justification must be forwarded by the requisitioning department to the Purchasing department to be maintained in the Purchasing department's file supporting the vendor selected.

- *Donor Non-Directed Funds* – The donor is funding the project but has not placed specific requirements relative to vendors selected for the project either in part, or in whole. In order to most efficiently utilize the donated funds, *competitive bidding is required* for work performed on the project. (Refer to **A. Competitive Selection Process**)
- *Trials and Evaluations of Equipment*: On occasion, vendors offer to have their equipment used on a trial basis in order to determine its usefulness to a department. When presented with this opportunity, a department must submit a "no charge" requisition to the Purchasing department before the equipment is received.

The Purchasing department will issue the vendor a "no charge" purchase order, which will outline the terms of the trial. Once the purchase order has been issued, the department may use the equipment for the specified period of time.

Upon conclusion of the trial period, the equipment must be returned to the vendor at no cost to the MSH and MSSM. If a decision is made to go forward with the purchase of the equipment, a new capital purchase requisition must be submitted to the Budget Office for approval. This process also ensures that a full warranty is received on a new piece of equipment.

- *Capital Equipment*: Capital Equipment is defined as equipment with an acquisition cost of \$500 or more and a useful life of at least one year. Both requirements must be met in order to be considered capital equipment. Capital equipment requisitions are required to be submitted directly to the Budget Office for approval before they are processed by the Purchasing department.
- *Professional Service Consultants*: Professional services are defined for this policy as including, but not limited to, legal, accounting and other similar consultants. The selection of a Professional Service Consultant may be unique to a specific project. The award of Professional Service Consultant Contracts will be based on criteria provided by the requisitioning area Department Head / Medical School equivalent to the Purchasing department. Such criteria will include pricing as well as critical areas of importance with the specific project (e.g., ability to complete the job on time and/or the ability to save money on the project). All Professional Service Consultants must be pre-qualified by the Purchasing department, based on criteria provided the requisitioning area Department Head / Medical School equivalent to the Purchasing department, in addition to the normal Vendor Credentialing process. All **subsequent work** to be performed as a result of the consultant's findings is subject to the competitive bidding policy contained herein.
- *Staff Consultants*: The solicitation of consulting services should be competitively bid. In the absence of competitive bidding, the department Vice President / Medical School equivalent must justify why competitive bidding was not performed and the reasons for the selected consultant in the form of a written department justification. The requisitioning department is also responsible for obtaining, maintaining and attaching to the Combination Purchase Requisition – Order the following additional documentation:

- the HIPAA Business Associate Agreement,
- a completed HR Policy 2.2 Form,
- consultant cost per hour,
- a copy of the terms and conditions of the consulting arrangement,
- a formal scope of services,
- a Not-To-Exceed amount,
- deliverables to be provided by the consultant,
- the consultant's address,
- Tax Identification number and/or Social Security number.

NOTE: With regard to Consultants, unless stated otherwise, reimbursable expenses in the contract will be capped at 10% of the original project cost. Any costs associated with overruns that are not attributed to a change in scope will not increase the reimbursement. Reimbursable expenses must also be clearly defined in the contract.

- *Real Estate Lease Agreements:* Due to the limited opportunities for competitive bidding and restrictions on the ability to select adequate leasing space to conduct operations, all Real Estate Lease Agreements are required, at minimum, to be approved *in writing* by the Vice President of Real Estate. For the purposes of the Purchasing Policy, there is no requirement for Directed/Sole Source justifications for Real Estate Lease Agreements, as long as there is a copy of the agreement retained on file, with the signature of the Vice President of Real Estate and/or an Executive Vice President or above.
- *Memberships and Subscriptions:* Certain areas of the Medical Center encourage employees/departments to participate in member organizations, or periodical subscriptions for development or business reasons. In such instances, fees are fixed and not conducive to a competitive bidding process. Approval is usually granted based departmental funding. For these reasons, purchase requisition approval by a Department Head or higher official, is considered an acceptable business transaction under the Medical Center policy.
- *FDA Approval of Certain Goods Used for Patient Care:* Pharmaceuticals and Medical Devices that are intended for clinical use may require approval from the Food and Drug Administration (FDA). Furthermore, items that require FDA approval must be purchased from a FDA approved vendor and/or distributor. It is the responsibility of the Purchasing Department to review all requisitions requesting Pharmaceuticals and Medical Devices to ensure compliance with this policy.

F. Contract Reference Chart

| Amount of Contract | Competitive Bidding Required? |
|---------------------------|--------------------------------------|
| Below \$10,000 | No (1) |
| \$10,000 - \$25,000 | Yes (2) |
| Over \$25,000 | Yes (3) |

1. No competitive bidding is required but is encouraged.
2. Informal bids are required. Verbal, faxed or written bids must be received and documented by the Purchasing department. Bids not received by the Purchasing department are subject to review and verification by the Purchasing department prior to the issuance of a purchase order.
3. A minimum of three (3) sealed written bids (or electronically formatted) by way of an RFP are required. If less than three (3) bids are received, the Purchasing department will follow up with the vendors to ascertain why they failed to submit a bid. Additionally, if time permits, the Purchasing department will attempt to obtain a bid from a fourth vendor.

ENGINEERING AND FACILITIES MANAGEMENT

The Engineering and Facilities departments, by the very nature of their work, typically involve purchasing activity that is conducive to very detailed specifications, multi-million dollar projects, and interaction with professional services such as architects, engineers, construction managers, etc.

Due to the unique nature of this work, the following policies are adopted to properly address these types of transactions while ensuring that necessary internal controls are in place.

If not specifically addressed in this section, the general Purchasing Policy applies and the Engineering and Facilities departments are required to be in full compliance therewith.

Note: The Facilities function is currently managed by Sodexo. Regardless, for Facilities purchases, Sodexo has agreed to abide by the MSMC Purchasing Policy. Any reference to “Facilities department” is assumed to mean Sodexo, for the purposes of this policy.

Engineering purchases managed and paid solely by Sodexo are beyond the scope of this policy.

This policy is not intended to contravene any agreed upon policies or procedures associated with Mount Sinai’s agreement with Sodexo. In the event of any conflicting provisions, the existing business agreement with Sodexo will take precedence over the Purchasing Policy, unless otherwise directed by Mount Sinai Leadership.

A. Competitive selection process

NOTE: An approved purchase order is required prior to the purchase, lease, rental or trial of any goods, supplies (commodities), capital items, services, and construction.

In the event that quotes are not received by the Purchasing department directly, the Engineering / Facilities department must maintain received quotes and forward a copy to the Purchasing department where they are subject to review and verification prior to the issuance of a purchase order.

- 1. Purchases / Contracts of goods, supplies, (commodities), capital items, services and construction below \$10,000:** Competitive bidding is encouraged when the Purchasing department buyer determines that the current pricing is not considered competitive; however, competitive bidding is not required. A purchase requisition approved by Engineering / Facilities management and a purchase order issued by the Purchasing department is required prior to any purchasing of goods, supplies and services being obtained.
- 2. Purchases / Contracts of goods, supplies, (commodities), capital items, services and construction \$10,000 to \$25,000:** A minimum of three (3) *verbal informal quotations (bids)* from pre-qualified vendors offering such commodity / services solicited by the Purchasing department is required. The quotations or bids must include, at a minimum:
 - (1) Company Name,
 - (2) Contact Person at the company,
 - (3) Phone Number,
 - (4) Date of the price quotation, and
 - (5) Quotation amount.

Verbal bids will be documented by the Purchasing department via a bid summary sheet. Each quote will be documented with the following information: each company that submitted quotes, each company's quote, and the vendor selected.

- 3. Purchases / Contracts of goods, supplies, (commodities), capital items, services and construction \$25,001 to \$50,000:** A minimum of three (3) *written or faxed informal quotations (bids)* from pre-qualified vendors offering such commodity / services solicited by the Purchasing department is required. The quotations or bids must include:

- (1) Company Name,
- (2) Contact Person at the company,
- (3) Phone Number,
- (4) Date of the price quotation, and
- (5) Quotation amount.

Each quote will be documented with the following information: each company that submitted quotes, each company's quote, and the vendor selected.

- 4. Purchases / Contracts of goods, supplies, (commodities), capital items, services and construction over \$50,000:** A minimum of three (3) *sealed written bids (or electronically formatted)* must be obtained by way of an RFP sent by the Purchasing department to pre-qualified vendors. If less than three (3) bids are received, the Purchasing department will follow up with the vendors to ascertain why they failed to submit a bid. If time permits, the Purchasing department will attempt to obtain a bid from a fourth vendor. If there is a disadvantage to the additional vendor due to timing, the Purchasing department should either provide an extension on the bid submission deadline, or cancel and reissue the bid request.

- Engineering / Facilities Department Management shall develop the project bid specifications, with the assistance of consultants such as architects / consultant engineers depending on the magnitude and complexity of the project. The Purchasing department will review the project bid specifications prior to release to vendors.
- The RFP will be released to vendors by the Purchasing department with a copy to the Engineering / Facilities Department, listing the date the RFP was released, the vendors receiving the RFP, and the response due date. Decisions regarding vendors to be solicited for bid should be vetted by the Purchasing and Engineering / Facilities Departments, prior to RFP release.
- RFP's requiring a vendor visit will be coordinated by the Engineering / Facilities Department. It is their responsibility to notify the Purchasing department of all scheduled vendor visits. If a vendor visit is required as part of the RFP, it must be specified in the RFP document. A representative from the Purchasing department may be present at vendor visits. All vendors interested in submitting an RFP response must attend the vendor visit, when required, at the same time, in order to ensure consistent dissemination of information. All vendor visits will be documented by the Engineering / Facilities department and/or the Purchasing department with the following information: date, time, vendors in attendance, vendor contact information, questions asked by the vendors, and relevant answers provided. Answers to questions provided at a later date will be forwarded to all vendors in attendance, in writing, by the Purchasing department.
- Any inquiries from bidding vendors regarding scope of work must be sent to or copied to the Purchasing Department. The Purchasing Department will contact either the architect or

Project Manager for a response, or monitor communications between the vendors, the architect and Project Manager, ensuring all bidding parties are notified of clarifications and changes at the same time.

- When RFPs are sent out, the vendors should be instructed to send any queries either to MSSM Purchasing, or in the event that they send inquiries to the Architect or Project Manager – to copy Purchasing on all inquiries/clarifications/bid updates.
- All responses to the RFP must be returned to the Purchasing department mailbox directly from the vendor. *It is at the discretion of the Director of Purchasing to accept proposals received after the RFP due date deadline.* The Purchasing department and the Facilities department must review, evaluate, document and tabulate all bids contained in the proposals received before a contract award is made. If any bids are disqualified, Purchasing must be notified. Documentation will be maintained by the Purchasing department indicating why a particular vendor was selected or disqualified.

NOTE: It is not recommended to use construction companies for the purpose of obtaining a priced specification for a construction project. However, in the event that a construction company does provide a priced specification, then that contractor should be advised that they will be precluded from submitting a bid for the actual construction work itself on the grounds of unfair inside knowledge of the project.

The following types of transactions are not included and must follow the normal procurement process:

- Minor renovation services
- Contracts which qualify for vendor rotation contracts
- Engineering services
- Emergencies

B. Special Circumstances – Competitive Bidding Requirements:

NOTE: Some circumstances, as described below, require written justification to accompany the Combination Purchase Requisition – Order when being submitted to the Purchasing department. Written justifications must be signed and dated by an authorized representative of Sodexo.

All instances below are subject to future audit review and monitoring on a periodic basis.

1. *Group Purchasing Organization Contracts / New York State Contracts:* The purchase of any commodities or services, regardless of amount, from an existing Group Purchase contract from which the MSH and MSSM have access or a New York State Contract does not require the solicitation of competitive bids or proposals. However, as bidding can result in substantial savings, *supply* purchases made on Group Purchase contracts over \$100,000 are required to be bid.
2. *Sole Source:* The purchase of any commodities or services, regardless of amount, where it can be substantiated that only one vendor or contractor has exclusive rights (e.g., rights to data, patent or copyrights, proprietary interests or secret processes) to the manufacturing / servicing of the product or service, does not require the solicitation of competitive bids or proposals. Sole Source requirements must withstand the questions of:

- (1) Is the commodity or service the only of its kind, which can fully satisfy the business requirement?
- (2) Is the commodity available from only one source?

The Engineering / Facilities department must be able to justify and document the selection of the vendor and establish the reasonableness of the price. The justification must include supporting documentation received directly from the vendor specifically identifying the exclusive rights they possess, be approved by the Vice President of the requisitioning department / Medical School equivalent and co-signed by the Chief Financial Officer. Additionally, a copy of the written justification and supporting documentation must be forwarded by the Engineering / Facilities department to the Purchasing department to be maintained in the Purchasing department's file, supporting the sole source vendor selected. (Refer to Single (Directed) Source to compare requirements.)

3. *Single (Directed) Source*: The purchase of any commodities or services, regardless of amount, where it can be substantiated that only one vendor or contractor provides a good or service that is distinguishable from others in the market place and singularly meets all significant elements of the business requirement, does not require the solicitation of competitive bids or proposals. The Engineering / Facilities department must be able to justify and document the selection of the vendor and establish the reasonableness of the price. Additionally, they must maintain written justification in the Purchasing department's file supporting the single (directed) source vendor selected, approved by the Vice President of the requisitioning department / Medical School equivalent and co-signed by the Chief Financial Officer. (Refer to Sole Source to compare requirements.)
4. *Emergency Purchases under \$50,000*: An emergency purchase is defined as the purchase of commodities or services, regardless of amount, where the purchase was made as a result of an unexpected event that creates a health or safety risk to individuals, property, or Mount Sinai as an institution. The Engineering / Facilities department must notify the Purchasing department of the Emergency purchase by the next business day. ***A "Pending" requisition for emergency purchases must be submitted to the Purchasing department by the next business day with the completed requisition submitted within five business days after completion of the emergency work.*** The Engineering / Facilities department must be able to justify and document the selection of the vendor and establish the reasonableness of the price. Additionally, they must maintain written justification in the Purchasing department's file supporting the vendor selected, approved by the Department Head / Medical School equivalent and co-signed by the Director of Purchasing.

Emergency Purchases over \$50,000 – After pricing information has been received and finalized, any emergency purchase in excess of \$50,000 (or invoice threshold requiring higher signature approval) also requires approval of the Vice President of the requisitioning department / Medical School equivalent before being forwarded to the Purchasing department for final processing.

C. Competitive Bid or Proposal Considerations:

- The contract should be awarded to the lowest qualified bidder.
- The MSH and MSSM should only award contracts to pre-qualified vendors.

D. Evaluation of Proposals:

- Written evaluation criteria must be established between the Engineering / Facilities department and the Purchasing department prior to initial receipt of proposals. These criteria must be applied uniformly, and may not be changed after receipt of proposals.
- When cost factors (e.g., extended warranty coverage, maintenance, supply costs, etc.) in addition to the base bid price are to be considered as part of an RFP, each factor must be identified in the RFP.
- The Purchasing department must perform the *Certificate of Bid Opening*. Further, documentation must be maintained by the Purchasing department, which indicates the vendors who offered proposals, quotation amounts, and which vendor was selected. This is referred to as the *Tabulation* of the proposals and is documented on a *Summary of Bids* sheet. If the vendor selected was not the lowest bidder, a detailed explanation must be provided by the Engineering / Facilities department Vice President and the Director of Purchasing as to why the vendor was selected.

E. Other Special Circumstances

- ***Change Orders:*** Change orders should always be kept to a minimum. However, whenever change orders are required, their combined value should not exceed 20% of the original purchase order amount. In those instances where the change order amount exceeds 20% of the original purchase order amount and exceeds the competitive bidding thresholds, at the Purchasing department's discretion, either a competitive bidding process will take place or the requisitioning department will be required to justify and document the reason for the excessive change order amount. If the justification route is chosen, it must be approved by the Vice President of the department / Medical School equivalent and co-signed by the Director of Purchasing.

NOTE: The issuance of a change order for an approved capital project, whereby a change in the Not-to-Exceed (NTE) value falls within the overall approved project amount may be considered acceptable due to the scope of the project allowing for "phased" work to be performed with varying costs associated with it.

- ***Blanket Purchase Orders (BPO):*** Once a vendor has been selected and assigned an approved BPO, all purchases must be applied against the BPO if the work the vendor performs is similar in nature to the work for which the BPO was established.
- ***Vendor Rotation:*** Where appropriate, this policy allows for the issuance of business to competing vendors via separate purchase orders. The competitive process allows for multiple contract awards provided all vendors agree to the lowest bid price. Allocation of quoted business is to be equitable. A specific request for vendor rotation may be made by the Engineering / Facilities department or at the discretion of the Purchasing department, based on the specific business need for the commodity/service. Contract awards may be for a fixed period of 1-2 years, with an option to renew for a 1 year period, contingent on market price fluctuation.
- ***Reverse Auctions:*** A reverse auction is a live competitive bid which takes place at a predetermined date and time on the internet, among qualified vendors, who are pre-selected. The benefit of conducting a competitive bid by reverse auction is that bidders

have a specified period of time to place a bid price against their competitors' bid price without knowing whom they are bidding against. Vendors may submit more than one price during the bidding period, with the award going to the vendor with the lowest price at the end of the bid period.

- *Construction Manager (CM) Contracts:* CM contracts involve the hiring of a company to manage a project involving subcontractors. The CM is responsible for bidding out subcontractor work in order to ensure best pricing for the project. The CM is paid a lump sum or percentage of the contract total amount, as well as reimbursement for expenses. CM contracts, when applicable, should be developed from boilerplate contracts approved by the MSMC Legal department *prior* to work commencing. If the CM contract is not a boilerplate contract, it must be first reviewed and approved by the MSMC Legal department prior to issuance of a purchase order.

Unless stated otherwise, the reimbursable expenses in a CM contract will be capped at 10% of the original project cost. Any costs associated with overruns that are not attributed to a change in scope will not increase the CM's reimbursement. Reimbursable expenses must also be clearly defined in the contract. The Engineering / Facilities department must be able to justify and document the selection of the vendor and establish the reasonableness of the price. Additionally, they must maintain written justification in the Purchasing department's file supporting the vendor selected, approved by the Vice President of the requisitioning department / Medical School equivalent and co-signed by the Director of Purchasing.

NOTE: The award of the CM contract will be the result of competitively bidding the CM contractual responsibilities, including, but not limited to the CM fee percentage and CM project budget proposal, to a minimum of three (3) companies, pre-qualified by the Purchasing department, and capable of providing services in the best interest of Mount Sinai.

- *Construction Projects:* Once a "Project Document" has received the appropriate administrative review and approval, a copy must be provided to the Purchasing department. All requisitions submitted for a particular project must reference the approved project number on the requisition.
- *Donor-Funded Projects:* Donor-funded projects may involve special circumstances based on the requirements placed on the project by the individual donating the funds to the MSH or MSSM. When a project is donor-funded, the following considerations are applicable:
 - *Donor Directed Funds* – Specific vendors are selected for use, at the request of the donor, for the project they are funding. *Competitive bidding is not required.* However, the Engineering / Facilities department must document the selection of the vendor based on the donor's requirements (on the Directed Source Justification Form), approved by the Vice President of the department and co-signed by the Director of Purchasing. Additionally, a copy of the written justification must be forwarded to the Purchasing department to be maintained in the Purchasing department's file, supporting the vendor selected.
 - *Donor Non-Directed Funds* – The donor is funding the project but has not placed specific requirements relative to vendors selected for the project either in part, or in whole. In order to most efficiently utilize the donated funds, *competitive bidding is*

required for work performed on the project. (Refer to **A. Competitive Selection Process**)

- *Capital Equipment:* Capital Equipment is defined as equipment with an acquisition cost of \$500 or more and a useful life of at least one year. Both requirements must be met in order to be considered capital equipment. Capital equipment requisitions are required to be submitted directly to the Budget Office for approval before they are processed by the Purchasing department.

- *Professional Service Consultants:* Professional services are defined for this policy as including, but not limited to, engineering, Department of Buildings expediting, asbestos investigation, zoning, Audio / Visual / major equipment consultants and other similar consultants. The selection of a Professional Service Consultant may be unique to a specific project. The award of Professional Service Consultant Contracts will be based on criteria provided by the Engineering / Facilities Management department to the Purchasing department. Such criteria will include pricing as well as critical areas of importance with the specific project (e.g., ability to complete the job on time and/or the ability to save money on the project). All Professional Service Consultants must be pre-qualified by the Purchasing department, based on criteria provided by the Engineering / Facilities department to the Purchasing department, in addition to the normal Vendor Credentialing process. All **subsequent work** to be performed as a result of the consultant's findings is subject to the competitive bidding policy contained herein.

NOTE: With regard to Consultants, unless stated otherwise, reimbursable expenses in the contract will be capped at 10% of the original project cost. Any costs associated with overruns that are not attributed to a change in scope will not increase the reimbursement. Reimbursable expenses must also be clearly defined in the contract.

- ***Architectural Services: The selection of architects will be made from a "pool" based on qualified architects who have met qualification criteria established by the Facilities and Purchasing Departments. All architects will be credentialed by the Medical Center's credentialing company. The pool of architects will be reviewed periodically, based on the anticipated needs for the near future.***

F. Contract Reference Chart

| Amount of Contract | Competitive Bidding |
|---------------------|---------------------|
| | Required? |
| Below \$10,000 | No (1) |
| \$10,000 - \$25,000 | Yes (2) |
| \$25,001 - \$50,000 | Yes (3) |
| Over \$50,000 | Yes (4) |

1. No competitive bidding is required but is encouraged.
2. Informal bids are required. Verbal bids must be received and documented by the Purchasing department. Bids not received by the Purchasing department are subject to review and verification by the Purchasing department prior to the issuance of a purchase order.
3. Informal bids are required. Written or faxed bids must be received and documented by the Purchasing department. Bids not received by the Purchasing department are subject to review and verification by the Purchasing department prior to the issuance of a purchase order.
4. A minimum of three (3) sealed written bids (or electronically formatted) by way of an RFP are required. If less than three (3) bids are received, the Purchasing department will follow up with the vendors to ascertain why they failed to submit a bid. If time permits, the Purchasing department will attempt to obtain a bid from a fourth vendor.

GLOSSARY OF TERMS

In support of this policy, the following definitions are included:

Amount of Contract – The total financial obligation incurred by MSH and/or the MSSM.

Certificate of Bid Opening – A certification by the person conducting a bid opening that the opening of all timely proposals received was held at the specified time and place.

Commodity – Material commodities, supplies, products, construction items or other standard articles of commerce other than technology or printing, which are the subject of any purchase or other exchange.

Contract – A new agreement, or lease, or an amendment of same. A purchase order is a contract. Only individuals designated by MSH and MSSM Management have the authority to bind the MSH or MSSM in a verbal or written contractual arrangement.

Contractor – A vendor from whom the MSH or MSSM obtains commodities, services or technology.

Directed (Single) Source – The purchase of any commodities or services, regardless of amount, where it can be substantiated that only one vendor or contractor provides a good or service that is distinguishable from others in the market place and singularly meets all significant elements of the business requirement.

Emergency – An urgent and unexpected event where health or public safety is at risk. *NOTE: A failure to properly and timely plan in advance for a procurement, which then results in a situation in which normal procurement practices were not followed, will not constitute an "emergency".*

Informal Quotations (bids) – May be in the form of verbal, faxed or written bids documented by the Purchasing department.

Lowest Qualified Price – The basis for awarding contracts for commodities and/or services among responsive and qualified vendors.

Pending Requisition – A purchase requisition used for emergency purchases submitted to the Purchasing department where the vendor is known and purchase amount may or may not be known. If the purchase amount is not known, it will be provided to the Purchasing department within five business days of the completion of the work.

Pre-Qualified Vendors – Vendors who have successfully completed the pre-qualification process.

Pre-Qualify – The process of ensuring that vendors selected to do business with the MSH and MSSM meet established criteria before awarding business.

Procurement Record – Documentation of the decisions made and the approach taken in the procurement process and summarized in the Project Document and/or the Purchasing department file. The documentation should indicate the adherence to the Purchasing policy and rationale for the contract award.

GLOSSARY OF TERMS (continued)

Project Document – Paperwork, usually put together by the Engineering / Facilities departments, which outlines the scope of work, expected deliverables, budgeted dollars and MSH and MSSM signatures, for work which requires careful monitoring and inspection of various trades.

Proposal – A bid or other form of written submission of a quotation by a vendor/contractor, upon purchaser's request, usually in competition with other vendors/contractors. Proposals must be opened in the Purchasing department at a specific time and place.

Qualified Bidder (Vendor) – Vendors that meet the business need requirements (e.g., license, delivery timeframe, etc.)

Reasonableness of Price – When feasible should be demonstrated by comparing the quoted price to an existing purchase of a like nature.

Request for Proposal (RFP) – A form of solicitation used for purchasing of goods and services or technology where factors in addition to cost are of equal or greater importance and a comparative evaluation of the proposals is necessary.

Service(s) - The performance of a task or tasks, except for construction management and architectural services, and may include a material good or a quantity of material commodities, which is the subject of any purchase or other exchange.

Single Source – See *Directed (Single) Source*.

Sole Source – A purchase in which only one vendor is capable of supplying the required commodities or services.

Tabulation – A listing of all grand total pricing, submitted by bidders, which forms a basis for comparison of proposals received and ultimate determination of the lowest qualified bidder.