

POLICY MANUAL

Subject: Purchase Orders and Purchasing

Effective Date: 6/30/99

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Accountant

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POLICY:

I. Purpose

The purchase order system has been established to ensure those items and services purchased by the organization are procured in a fiscally sound manner; are suitable for the intended purpose; and are purchased from reputable vendors. The purchase order system also aids in cash flow planning, cost containment, the accurate allocation of expenses while helping to protect from fraudulent vendors.

II. Research

It is the responsibility of the purchaser in conjunction with their supervisor, to establish the specifications of those items that are to be purchased (for this document the word "items" will denote both goods and services). It is also important to consider the likelihood of obsolescence in relation to the quantity that affords the best price. Consultation with other departments can generate economies of scale and ensure uniformity in product delivery. It is the responsibility of each department to keep track of previous purchases and not to depend on Accounts Payable to provide them with information on previous vendors, item numbers and pricing.

Recurring Purchases: Ongoing evaluation of routine purchases is the responsibility of each department manager. On an annual basis competitive bids should be obtained whenever and wherever possible. This is especially true whenever a single vendor is being used as the primary supplier of multiple items.

Single or Seldom Ordered Items: A competitive bid for items with either a single or cumulative value exceeding \$1,000.00 is usually required. Ordering from a familiar vendor is not always sufficient to ensure the best price. Denial of a purchase request may be made on the basis that competitive bids or research has not been obtained.

Emergency Purchases: Emergency purchases will be limited to those items that, if not purchased immediately, will result in harm or significant discomfort to our patients and/or staff or damage to the facility's property. In emergency situations, the competitive bid process may be waived to the extent necessary to alleviate the emergency. While individual judgment may be necessary on the part of the employee, it is advisable to consult with management whenever possible.

III. Guidelines

- A. All expenditures over \$50.00 require a purchase order.
- B. Expenditures from \$50.00 to \$500.00 will be approved with required signature of the department head.
- C. Expenditures over \$500.01 to \$2,500.00 require the signatures of the department head and the Executive Manager or, in their absence, their designees.
- D. Expenditures over \$2,500.01 to \$19,999.99 require the additional approval of the Chief Financial Officer.
- E. Expenditures over \$20,000.00 require Chief Financial Office, Chief Executive Office, and Board of Directors approval.
- F. Departmental open purchase orders will be issued for specific on going departmental needs (e.g., dietary services and raw food orders). These are to be kept to a minimum and will be issued monthly.
- G. Contract services require an initial purchase order along with contract proposal and will remain in effect for the duration of the contract period. Contract renewals will require a new purchase order.
- H. Invoices received without proper authorization will be forwarded to the CFO for review and further action.

IV. Purchase Order Instructions.

- A. New expenditure/check request forms should be filled out completely and forwarded to the appropriate department manager for approval. Provide back up documentation such as brochures and seminar information, etc. whenever possible. The bottom copy of the form may be kept for the ordering department's records.
- B. Completed request forms should be sent to Accounts Payable .
- C. Requests for expenditures over \$2,500.00 will be forwarded to the Chief Fiscal Officer (CFO) or his designee for review. Purchases over \$20,000.00 also require approval of the Board President or head of the Board Committee that has supervision over the related expenditure.
- D. Incomplete forms and those lacking proper authorization will be returned to sender.
- E. Once a valid Purchase Order is submitted, Accounts Payable will process it and assign it a unique number. The requestor will receive confirmation of the processed form and the number to be given to the vendor.
- F. Purchases may only be made with a valid purchase order in the normal course of business, excluding those made using a duly authorized company purchasing card.

V. Receipt of Items and Authorization for Payment.

It is the responsibility of the ordering department manager to verify that the items ordered are received, the quantity and prices are correct, and that the items were received in good condition. Once this has been verified the invoice and any accompanying packing slips can be marked "OK FOR PAYMENT" and forwarded

to Accounts Payable. Either a packing slip or an invoice marked "OK FOR PAYMENT" is sufficient authorization for payment to a vendor. Partial shipments, if invoiced will be paid at the discretion of the Chief Financial Officer.

If there are problems with the order the department manager or their designee shall resolve the problem prior to authorizing the invoice for payment. If a protracted period of time is anticipated in resolving the dispute, the department manager shall notify the vendor in writing that payment is being held pending settlement of the dispute. A copy of this letter should be forwarded to Accounts Payable. If partial payment is being requested, the department manager must clearly delineate the situation directly on the invoice before forwarding to Accounts Payable.

Payments will not be made from a statement, unless:

1. there is an authorized invoice for each of the item(s) listed on the statement (on file in Accounts Payable) **or**
2. on rare occasions, the responsible department manager has authorized the statement for payment.