

Purpose

The purpose of the Mount Sinai Hospital (MSH) and Mount Sinai School of Medicine (MSSM) 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 MSH and MSSM. 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 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 MSH and MSSM policy that all properly approved, competitively priced purchase requisitions are processed in a timely fashion and resulting payment through the Accounts Payable department is 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 MSH and MSSM Purchasing 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.
- 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 Function: The Purchasing staff is responsible for assisting management, department administrators 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 MSH.

MSSM Purchasing Function: 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 MS SM.

NOTE: The Accounts Payable and Finance departments operate as completely separate and distinct functions from Purchasing.

Purchasing Function Responsibilities

- Obtain bids / quotes from vendors and performs cost / price analysis to facilitate competitive pricing.
- Pre-qualifies all vendors utilized by the MSH and MSSM.
- Assists and consults 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. Such pre-qualification includes the following sources: **either** (1) accurately and successfully completing a vendor questionnaire **or** (2) having a favorable Dunn & 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. 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.
- 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 MSH and MS SM.
- Any vendor awarded two (2) consecutive competitively bid contracts within a contiguous eighteen-month period is subject to review and approval by the Purchasing

department prior to allowing the vendor to bid on a third contract.

- 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 Purchase Contract or New York State Contract do not have to be pre-qualified by the Purchasing department.
 - All vendors need to fully disclose any relationship that would require Business Ethics or other governance review.
- . A vendor is considered pre-qualified as long as no adverse information is identified by the MSH and / or MSSM.

ALL DEPARTMENTS excluding ENGINEERING AND FACILITIES MANAGEMENT

Competitive Selection Process

NOTE: An approved purchase order is required prior to the purchase 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

Individual purchase orders for the same requisitioning department placed to the same vendor for similar items or services over a 3-month period of time, which exceed the cumulative total of \$25,000, will require a Request for Proposal (RFP) to be issued for all future business.

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. Faxed / written quotes will be documented via a log. 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* 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. 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.

A. 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 Purchase 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 subscribes or a New York State Contract, does not require the solicitation of competitive bids or proposals.

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 Director of Purchasing. Additionally, a copy of the written justification and supporting documentation must be forwarded by the requisitioning department to the Purchasing department to maintain 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. 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 department / Medical School equivalent and co-signed by the Director of Purchasing. (Refer to *Sole Source* to compare requirements)

4. *Manufacturer Negotiated Contracts for Medical / Surgical Supplies*:

NOTE: Transacting business with these types of suppliers is not conducive to a competitive process.

- Pricing – With Medical / Surgical manufacturer suppliers, pricing is generally based on volume of business, commitment levels and market share. Additionally, opportunities to lower pricing further on products is made possible by negotiating corporate agreements which cover multiple divisions of a company.
- Product selection – A “new products” committee determines which products will be used by the hospital after performing a trial with more than one product.

- The Purchasing department, not the requisitioning department, negotiates price with the vendor / manufacturer.

5. *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.

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.

NOTE: During 2006-2007, the total vendor base is being reviewed for pre-qualification status. Therefore, issuance to vendors during this timeframe will be with the approval of the Director of Purchasing contingent on the pre-qualification process taking place.

Evaluation of Proposals:

- Written evaluation criteria must be established, between the requisitioning department and the Purchasing department, prior to initial receipt of proposals, must be applied uniformly, and may not be changed after receipt of proposals.
- When cost factors (e.g., extended warranty coverage, maintenance, 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 *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 area Vice President / Medical School equivalent and the Director of Purchasing as to why the vendor was selected.

B. 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, the requisitioning department and the Purchasing department will review options available, including the possibility of renegotiating pricing with the existing vendor. Any change orders in excess of 20% of the original purchase order amount are subject to future audit review and monitoring.
- *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, 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.
- *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 MS SM. 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 maintain 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 MS SM. 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 wasn’t 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.

C. 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. In the absence of competitive bidding, vendor rotation 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 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.

D. Competitive selection process

NOTE: An approved purchase order is required prior to the purchase 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.

Individual purchase orders for the same requisitioning department placed to the same vendor for similar items or services over a 3-month period of time, which exceed the

cumulative total of \$50,000, will require a Request for Proposal (RFP) to be issued for all future business.

- 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.

Written / faxed quotes will be documented via a manual log. 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* 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.

- 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.
- 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.

- 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 Engineering / Facilities 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.

E. 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 Vice President of the Engineering / Facilities department.

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

- Group Purchase 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 subscribes or a New

York State Contract does not require the solicitation of competitive bids or proposals.

- 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 Director of Purchasing. Additionally, a copy of the written justification and supporting documentation must be forwarded by the Engineering / Facilities department to the Purchasing department to maintain 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 Director of Purchasing. (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. ***“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 the Vice President of the requisitioning department / Medical School equivalent before being forwarded to the Purchasing department for final processing.

F. 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.

NOTE: During 2006-2007, the total vendor base is being reviewed for pre-qualification status. Therefore, issuance to vendors during this timeframe will be with the approval of the Director of Purchasing contingent on the pre-qualification process taking place.

G. Evaluation of Proposals:

- Written evaluation criteria must be established, between the Engineering / Facilities department and the Purchasing department, prior to initial receipt of proposals, 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.

H. 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, the Engineering / Facilities department and the Purchasing department will review options available, including the possibility of renegotiating pricing with the existing vendor. Any change orders in excess of 20% of the original purchase order amount are subject to future audit review and monitoring.

- *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, 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 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 cosigned 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 MS SM. 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, 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 maintain 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, architectural, 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.

I. 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. In the absence of competitive bidding, vendor rotation is encouraged, when applicable.
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 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 and 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.

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 – 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.