

POLICIES AND PROCEDURES MANUAL

Chapter:	Finance		
Section:	Procurement Policy		
Policy: <input checked="" type="checkbox"/> Procedure: <input type="checkbox"/> Page: 1 of 4	Review Cycle: Biennial Author: Chief Financial Officer	Adopted Date: 09.02.2014 Review Date: 05.13.2025	Related Policies: Financial Management Cash Management

Purpose

To provide guidance to Mid-State Health Network (MSHN) staff involved in purchasing goods and services to assure:

- A. That the MSHN obtains the best possible price and terms for all goods and services;
- B. That a wide range of qualified vendors are notified of impending purchases;
- C. That specifications are not so needlessly complex or restrictive that they would exclude qualified vendors; and
- D. That staff are encouraged to exercise discretion in the purchasing process.

Policy

- A. Oversight and Supervision of the Purchasing Process Shall be as Follows:
 1. **\$0.00 -- \$1,999:** Purchase of goods or services valued within this range may be purchased without written cost quotations or proposals. The responsible staff person shall solicit verbal quotations and submit to the Chief-level administrative officer in their reporting line. If approved by the Chief, documentation should be sent to the Chief Financial Officer (CFO) who will authorize the purchase to be made from the vendor best able to provide necessary goods or services based upon price, availability of goods, and delivery schedule.
 2. **\$2,000 -- \$24,999:** Purchase of goods or services valued within this range shall be preceded by the solicitation of written cost proposals (or estimates), submitted to the Chief-level administrative officer in their reporting line, and if approved, sent to the Chief Financial Officer. The Chief Financial Officer shall develop a written recommendation based on written documentation and present to the Chief Executive Officer (CEO) for approval. The reasons for all purchases made where the low-cost proposal is not accepted shall be clearly documented. Approved purchases shall be made from the vendor best able to provide the necessary goods or services with price being the primary consideration. The Chief Financial Officer will forward all pertinent documentation for inclusion in the accounts payable file.
 3. **\$25,000 and higher (annually for multi-year agreements):** Purchase of goods or services valued within this range shall be preceded by the solicitation of cost proposals as described in the Procedure: Procurement through formal procurement process (such as, but not necessarily limited to requests for quote, requests for information, or requests for proposals). Agency procedures for these processes shall be followed as noted in the Substance Use Disorder (SUD) Direct Service Procurement Policy and Procurement Through Request For Proposal Procedure. The purchase shall be made from the vendor best able to provide the necessary goods or services with price being the primary consideration. The Chief-level Administrative Officer responsible for the purchase shall send all pertinent documentation and recommendations to the Chief Financial Officer. The Chief Financial Officer shall develop a written recommendation based on written documentation and present to the Chief Executive Officer for approval. The reasons for all purchases made where the low-cost proposal is not accepted shall be clearly documented. Once approved by the CEO, the Chief Financial Officer, with assistance from the Chief-level administrative officer responsible for the purchase, will prepare a Board Background and Motion (BB&M) containing sufficient background information and underlying rationale to support the purchase recommendation to the Board of Directors.

Items or services previously approved by the Board shall be brought back to the Board for review and approval if there is a dollar amount variance from the original BB&M of more than \$10,000. This scenario generally applies to multi-year contracts in which an expanded scope of work is identified.

MSHN's CEO has the authority to approve contract amendments of less than \$25,000 without additional board action.

Exceptions:

1. Properties/facilities and maintenance purchases shall be bid out when the annualized or per item cost/value exceeds \$10,000.
2. Computer Hardware and Software: The purchase of computer items or services valued less than \$5,000 shall not be subject to this policy / procedure. The purchase may be approved when, in the judgment of the Chief Information Officer (CIO), the purchase is made from the vendor best able to provide necessary goods or services based upon price, availability of goods, and delivery schedule. The Chief Financial Officer must approve the purchase or purchase arrangement.
3. Computer Services: The purchase of computer services valued less than \$20,000 may be approved by the Chief Information Officer after consultation with the Chief Financial Officer, when the provider of that service has already been selected to provide similar services within the previous 24 months via a documented bid or cost comparison process. Such approval may be made when, in the judgment of the CIO, the vendor continues to be best able to provide necessary services based upon price, performance and schedule.
4. Computer Hardware and Software and Employee/Physician Insurances: Purchases of \$25,000 and higher may not be required to adhere to formal procurement process if the responsible Administrative Officer determines a solicitation of cost proposals is more appropriate.
5. Clinical services and/or supports including Substance Use Disorder (SUD) services are excluded from this policy as these procurements are governed by MSHN's SUD Direct Service Procurement Policy.
6. The services sought are professional services of limited quantity or short duration (e.g. Psychological testing);
7. Through the person-centered planning process, the consumer has chosen a qualified non-network provider as his/her provider of choice.
8. Where, for purposes of continuity of care, an existing qualified network provider or provider panel may be selected to provide a service.

Exclusions:

1. The purchase of food and consumable supplies.
 2. Goods or service contracts entered under, or based upon, the State of Michigan MI Deal program, US Federal Government's General Services Administration (GSA) program(s), or other non-State of Michigan or non-Federal Government grants.
- B. Staff shall obtain cost proposals from qualified vendors for goods and services specified in this policy. Proposals may be obtained by means of direct solicitation or by advertising through professional periodicals, or otherwise appropriate publications with the express purpose of notifying a wide range of vendors. The use of direct solicitation or published advertisements to affect an efficient and expeditious vendor response shall be left to the discretion of the Chief-level administrative officer with responsibility for department making the purchase, in consultation with the Chief Financial Officer if/as needed. Generally, the receipt of at least three cost proposals shall be required prior to authorizing a purchase, however, the receipt of fewer proposals shall be acceptable, provided that a reasonable staff effort and solicitation process is documented and approved by the Chief Financial Officer.

- C. MSHNs finance department may maintain a list of qualified vendors for solicitation purposes for routine or regular purchases. This list may be developed from a variety of sources, including vendor requests, professional or trade organizations, and past MSHN experience. The qualification of vendors may include verifying appropriate insurances, licensure, past performance based upon written recommendations and comments from previous customers, and the vendor's size and experience relative to MSHN's project and needs.
- D. When used, MSHN Chief-level administrative officer shall develop specifications for cost proposals that are sufficiently complete so that all vendors provide quotations that are comparable. Specifications shall not be designed to favor a particular brand or type of product, or to exclude a particular vendor, without good cause. Good cause for narrow or restrictive specifications may include, but is not limited to, compatibility with existing systems or equipment, particular or specific needs of MSHN that few vendors are capable of fulfilling, professional or technical judgment of MSHN staff, and previous MSHN experience with vendors of products. The reasons for restrictive or narrow specifications must be clearly defined and filed with all other cost and proposal documents. Staff may be authorized make purchases without obtaining cost proposals, if only one vendor or product exists, or if proposals for identified products were received within the past twelve (12) months. The Chief Financial Officer shall approve all written specifications prior to release.
- E. Staff shall maintain records sufficient to detail the significant history of a procurement decision. These records shall include, but are not limited to, information pertinent to the rationale for the method of provider selection or rejection and the basis for the cost or price. The files shall be maintained with MSHN's Finance department.
- F. It is the responsibility of the Chief-level administrative officer to confirm with the Chief Financial Officer or designee that funds have been allocated and are available prior to the purchase.
- G. All audits required by MSHN shall be obtained by direct solicitation or by advertising, which shall adhere to the principles stated herein. The length of the initial audit period shall not exceed three years. The CFO shall approve the audit specifications and proposal process. All responses to audit cost proposals shall be reviewed and approved by the Chief Executive officer and by the Board of Directors. MSHN may authorize staff to extend audit services beyond the original audit period without soliciting additional cost proposals, provided that any extensions do not exceed three (3) years. The cost for any extension may be negotiated at the time the extension is authorized.
- H. Sole Source Exceptions: Under certain circumstances, the agency may contract with vendors or providers through single-source procurement without executing a competitive bid process. These circumstances may include any one or more of the following:
 - 1. The goods or services are available only from a single source;
 - 2. There is an urgent or emergent need for the goods or service;
 - 3. After solicitation through a number of sources, there is a lack of qualified provider candidates;
 - 4. The goods or services sought are unique or highly specialized;
 - 5. The services sought are professional services of limited quantity or short duration (e.g. Psychological testing);
 - 6. Through the person-centered planning process, the consumer has chosen a qualified non-network provider as his/her provider of choice.
 - 7. Resource outputs associated with potential gain of multi-source procurement are considered excessive, unreasonable, or cost prohibitive.

Single Source exceptions must be documented in writing and filed with the provider contract file (or accounts payable files) prior to execution of contract or expenditures of funds to complete the purchase.
- I. For the purchases funded with federal funds, the MSHN shall be in compliance with requirements of the Davis-Bacon Act, the Copeland "Anti-Kickback" Act, and the Contract Work Hours and Safety Standards Act.
- J. MSHN funds may not be utilized for the purchase of alcohol or tobacco products.

Applies to:

- All Mid-State Health Network Staff
- Selected MSHN Staff, as follows:
- MSHN’s CMHSP Participants: Policy Only Policy and Procedure
- Other: Sub-contract Providers

Definitions:

Administrative Officer: MSHN officer of administrative services (Chief Executive Officer, Deputy Directory, Chief Financial Officer, Chief Information Officer, Chief Clinical Officer)

BB&M: Board of Directors’ Background and Motion

CEO: Chief Executive Officer

CFO: Chief Financial Officer

CIO: Chief Information Officer

CMHSP: Community Mental Health Service Program

GSA: General Services Administration; The executive agency responsible for supervising and directing the disposal of surplus personal property

MI Deal: Extended purchasing program which allows Michigan local units of government to use state contracts to buy goods and services

MSHN: Mid-State Health Network

RFP: Request for Proposal

SUD: Substance Use Disorder

References/Legal Authority

2 CFR 200; Subpart D; Sections 318 through 326

Michigan Department of Health and Human Services Contract for Medicaid Managed Specialty Supports and Services Concurrent 1915(b)/(c) Waiver Program(s), the Healthy Michigan Program, and Substance Use Disorder Community Grant Programs – Procurement Technical Requirement

Change Log:

<u>Date of Change</u>	<u>Description of Change</u>	<u>Responsible Party</u>
09.2014	New Policy	Chief Financial Officer
11.2015	Annual Review	Chief Financial Officer
03.20.17	Policy Update	Chief Financial Officer
03.2018	Annual Review	Chief Financial Officer
03.2019	Policy Update	Chief Financial Officer
01.2021	Biennial Review	Chief Financial Officer
06.2022	Policy Update	Chief Executive Officer
01.2023	Biennial Review	Chief Financial Officer
05.2023	Policy Update	Chief Financial Officer
09.2024	Policy Update	Chief Financial Officer
12.2024	Policy Update	Chief Financial Officer