

University of Colorado Medicine  
Purchasing Policy

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**1. POLICY OVERVIEW**

The purpose of the CU Medicine purchasing function is to provide cost-effective purchasing to assure that all commitments are consistent with the missions and guidelines set forth by the CU Medicine Bylaws and Operating Agreement (see below), processed in a timely manner, reviewed for accuracy and appropriateness, properly authorized and documented and that the Internal Revenue Service (IRS) regulations are strictly adhered to for a 501(c)3 Corporation. In addition, guidance is provided in the sale or disposal of CU Medicine property and hazardous waste.

The Financial Operations Manager is authorized to make purchases following standard purchasing practices and procedures. The Financial Operations Manager provides assistance to the clinical departments and CU Medicine administrative departments as requested and will identify and recommend vendors, evaluate vendor performance, obtain information on supplies or equipment, and obtain competitive prices consistent with good service all in accordance with the policies and procedures defined below.

CU Medicine Mission Statement:

Organized for the benefit of the University of Colorado, University of Colorado Medicine serves as the centralized practice plan of the faculty of the University of Colorado School of Medicine. Its function is to primarily aid and support the University of Colorado in the furtherance of its charitable, scientific, educational purposes and to assist the School of Medicine in carrying out its mission of providing patient care, medical education and research.

For more detail on the mission of CU Medicine, see the CU Medicine Purposes and Objectives on page one and two of the [CU Medicine Amended Bylaws](#).

**2. PURCHASING OVERVIEW**

The following are requirements or guidelines to be adhered to in the purchasing process.

- The targeted product should be obtained at the best combination of price, service and vendor dependability. Purchase orders and purchasing decisions will be directed to the vendor whose product, price, and service most closely meet the requirements of CU Medicine and the clinical departments requesting the order.
- All expenditures processed by CU Medicine Finance must be consistent with the missions and guidelines set forth by the CU Medicine Bylaws and Operating Agreement and within the guidelines established by the IRS for a 501(c)3 corporation.
- Competitive bids should be attained for all purchases of \$5,000 or more when the product or service is highly competitive in the market. The purchasing department will review and/or price check purchases less than \$5,000 to ensure cost-effective purchasing. Some products or services may have limited or no competition and therefore a competitive bid is not readily available.
- The department receiving the supplies or equipment should inspect the boxes for obvious damage to the containers. This may indicate damage to the product inside. Keep all packing slips and other documents that come with the product. If you see any container damage, make a note on the delivery papers that you sign. This is necessary for any damage claims. There may be concealed damage as well, with no visible damage to the container. Keep all documents and containers. These may be necessary to file a freight claim with the carrier.
- CU Medicine employees shall neither solicit nor accept gratuities, favors nor anything of monetary value from vendors or potential vendors. Any violation of this policy by employees may result in disciplinary action. Any reputable vendor may submit a bid for goods or services. All legitimate quotes will be considered.

### **3. WHEN A PURCHASE ORDER IS REQUIRED**

A purchase order (PO) facilitates several critical purchasing functions including the review and approval of expenditures to determine compliance with CU Medicine policy and IRS regulations, the tracking and deployment of purchases and deliveries and the processing of required payments through the accounts payable system.

#### **A PO is required in the following circumstances:**

- 1) For purchases of \$5,000 or more.
- 2) When repeated payments to one vendor over a period of time will be taking place such as for maintenance agreements and / or equipment leases, a Standing Purchase Order is required. See discussion of Standing Purchase Orders below.
- 3) For annual contracts for equipment maintenance. Once the maintenance agreement has been established, the cost center will be responsible for calling the vendor when service is needed. A copy of the service agreements should be sent to CU Medicine Finance.
- 4) To procure moving expenses covered under a letter of offer for a CU Medicine employee. Relocation of University employees must be processed through the University.

For purchases less than \$5,000 and not included in the above list, a purchase order is not required. The purchasing department should be engaged if involvement and assistance would be of use to the department or if a particular vendor requires a Purchase Order. Payments for these purchases will be processed in CU Medicine Accounts Payable, please refer to the Accounts Payable Policy for further information and guidelines.

**NOTE: Given the specific rules and conditions described in IRS regulations regarding the purchase of any item with the potential for private or personal benefit (“inurement”), purchases of computer equipment, furniture and leases must be done directly from the vendor with payment being made to that vendor from CU Medicine. There will be no reimbursement for personal expenditures for items either on this list or subject to the PO requirements listed above.**

#### **4. PURCHASING PROCESS**

The purchasing process begins when a Purchase Request (PR) Form is completed by a cost center. The PR authorizes the Financial Operations Manager to create a Purchase Order (PO) for goods or services and to charge the AX account string listed on the PR for the purchase. If a purchase order is not required per the rules above, you can still utilize the Purchase Request form noting that a Purchase order is not needed or just directly contact the CU Medicine Purchasing department via phone or email to aid in your purchase.

The PR must be fully completed, approved by an individual with account authorization and contain all of the specifications necessary to accurately describe what is to be purchased. If a specific vendor is preferred, please indicate the vendor’s name and contact information. The order cannot be placed if vital information, such as an accurate description of the product, is not on the PR. Attach additional notes or specifications to provide all of the information that is needed to place the order.

After the completed PR is received by CU Medicine Purchasing, a vendor is identified, the price and other details are confirmed, and a PO is issued. After the Financial Operations Manager approves the PO, the order can be placed with the vendor.

The original *receiving copy* of the PO will be sent to the department requesting the purchase. When receipt of the order occurs, the original *receiving copy* of the PO must be signed and returned to the CU Medicine Finance Department. This receipt confirmation is what authorizes Accounts Payable to pay the invoice. It is advised that the department placing/receiving the order keep a copy of the PO.

For electronics and other items that are portable in nature and have the potential to provide personal benefit to an individual; the department will be required to complete a [Declaration of Property Ownership and Prohibition of Personal Use Form](#). If requested, this must be completed and returned to CU Medicine Finance in order to comply with IRS Regulations.

#### **5. STANDING PURCHASE ORDERS**

A Standing Purchase Order (SPO) is issued to make repeated payments to one vendor for one type of product or service. If the SPO is for a lease or a service contract, the SPO will be for the full term of the contract. Otherwise, the SPO will be issued for a period of 12 months or less. When an SPO is established, the cost center can place orders referencing the PO number or account number. The invoices must be sent to CU Medicine Finance for timely payment. A Purchase Request Form is needed to set up an SPO.

Standing purchase orders are also used for equipment leases. It is very important that all information about the equipment, term of the lease and other facts are presented with the Purchase Request. You may be contacted by the Finance Department for more information about an equipment lease that you have requested. [Exhibit A](#) of this policy contains a checklist of some of the information needed for leases obtained through CU Medicine.

Standing Purchase Orders should also be used for property leases. Property leases must be signed by the CU Medicine Chief Financial Officer or Executive Director. The lease needs to name CU Medicine.

**6. AUTHORIZATION AUTHORITY**

**For the following Account Types: Clinical/Basic Science/Deans**

Dean/Dean's Designee	Must approve all Chair reimbursements and AEF expenditures.
Chair	Must approve all Directors of Finance and Administration reimbursements AND all charitable donations.
Director of Finance and Administration	Must approve all honoraria AND all expenses greater than \$5,000

All other expenses must be approved based on the authorized signer list that has been submitted to CU Medicine Finance. Signature authority cannot be further delegated to other individuals. An authorized signer cannot approve a reimbursement to themselves. Subordinates cannot sign for supervisors.

To obtain signature authorization for a new or additional individual, the individual must be submitted by the Director of Finance and Administration and approved by the Chair. This can be achieved via an email to CU Medicine Accounts Payable at [Finance-AccountsPayable@cumedicine.us](mailto:Finance-AccountsPayable@cumedicine.us).

The Director of Finance and Administration is accountable for transactions initiated by individuals with delegated signature authority.

Internal Control – To the extent practicable, departments should establish clear separation of duties, with individuals given signature authority for approval of an expense reimbursement separate and distinct from individuals both making and receiving the underlying purchase.

**7. AUTHORIZATION AUTHORITY**

**For CU Medicine Administration Departments**

Effective July 1, 2011, CU Medicine Administration has a signature authorization policy with dollar limits assigned by job category. The amounts in the table below are per voucher or purchase request. Invoices/purchases cannot be split between more than one accounts payable voucher or purchase request to circumvent the signature authorization level required.

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All expenses must be approved based on the table below and the authorized signer list that has been submitted to CU Medicine Finance. Signature authority cannot be further delegated to other individuals. An authorized signer cannot approve a reimbursement to their self. Subordinates cannot sign for supervisors.

To obtain signature authorization for a new or additional individual, the individual must be submitted by the Department Director and approved by the Executive Director, Chief Operating Officer or Chief Financial Officer. This can be achieved via an email to CU Medicine Accounts Payable at [Finance-AccountsPayable@cumedicine.us](mailto:Finance-AccountsPayable@cumedicine.us).

The Directors are accountable for transactions initiated by individuals with delegated signature authority.

Internal Control – To the extent practicable, departments should establish clear separation of duties, with individuals given signature authority for approval of an expense reimbursement separate and distinct from individuals both making and receiving the underlying purchase.

Job Category	Signature Approval Expense Range
Staff	Less than \$500
Managers	\$500 - \$5,000
Directors and Sr. Managers	\$5,001 - \$25,000
COO/CFO	\$25,001 - \$100,000
Executive Director	>\$100,000

<b><u>Exceptions to the above table</u></b>	
Director overseeing Building Management	Authorized to sign leases and other items associated with the building operations up to a limit of \$75,000 per year.
CU Medicine Finance Manager & Sr. Manager overseeing Payroll	Authorized to sign for recurring payroll related expenses

## 8. **CAPITAL EQUIPMENT**

Capital Equipment consists of all equipment that costs \$5,000 or more for each piece. Some items, individually, may fall below the capitalization threshold but may be purchased in large quantities (i.e. furniture and equipment purchased as part of a new building construction and/or renovation project). CU Medicine will consider the materiality and significance of aggregate purchases of such tangible items and, if material or significant, will capitalize such items either individually or in the aggregate. Add-ons to equipment that are considered to be economic enhancements (i.e. make the equipment more usable or extend the useful life) will be added to the cost of the equipment if the add-on is \$5,000 or more.

Capital equipment purchased by CU Medicine for the cost centers must be used for clinical purposes at least 50% of the time.

Payment for equipment that is allocated to be used more than 50% in research is limited to a maximum amount of \$3,000.

## **9. ASSET INVENTORY**

All equipment purchased through CU Medicine remains the property of CU Medicine.

Equipment determined to be capital equipment will be tagged and periodically inventoried as required by CU Medicine's external auditors. Proper tagging of all equipment as it is purchased makes the inventory much easier. Due to the small size or type of equipment some capital equipment will not be physically tagged, but an inventory tag number will still be assigned to the item for tracking purposes. CU Medicine Finance will contact the departments that will be inventoried that year and provide the inventory list.

As described earlier, specific purchases and equipment largely of an electronics nature that may be readily converted to personal use will require the completion of a [Declaration of Property Ownership and Prohibition of Personal Use Form](#). The Purchasing Department will request that departments complete this form given the nature of the purpose as required. The form states that the listed equipment belongs to CU Medicine and will be used for business purposes. These items are also not included on the inventory lists provided by CU Medicine Finance but must be tracked by the department in possession of the items to ensure that they are being used for business purposes and they are returned to the department upon termination of employment.

## **10. SALE OF EQUIPMENT**

All laptops, desktops and other personal computing devices purchased by CU Medicine cannot be sold. When this equipment has outlived its useful life, notify the CU Medicine Purchasing department and it will be scheduled for pick-up. If the equipment can still be used for another function within the organization, the CU Medicine Information Systems department will wipe the hard drive of any stored data before redeployment. If the equipment can no longer be used, the CU Medicine Purchasing department will make arrangements for proper disposal of the equipment.

To sell any other CU Medicine capital equipment, the cost center should obtain three written quotes from commercial vendors stating the current market price that the vendors would pay for each item. The selling department should send the quotes, the CU Medicine asset tag(s) from the equipment and the name of the buyer to the CU Medicine Financial Operations Manager. If there is no asset tag on the equipment, estimate the purchase date and give a complete description, serial number and the billing area (original purchase). The item must be identified as a CU Medicine asset or a CU Medicine purchase.

Once CU Medicine has all of the above information, the CU Medicine Financial Operations Manager will complete a bill of sale, which will include the equipment description as listed on CU Medicine's fixed asset inventory. CU Medicine will calculate the current average selling price based on the written quotes. The Chief Financial Officer/Controller will approve and sign the bill of sale, which is then sent to the cost center. The authorized cost center administrator must approve and sign the bill of sale and send it, along with a check from the buyer, back to the CU Medicine Finance Department.

The check will be deposited into the selling department's account. The bill of sale will be forwarded to the Property Control Agent and Staff Accountant so that the equipment can be removed from the fixed asset inventory and the sale recorded in the general ledger.

## **11. DISPOSAL OF HAZARDOUS WASTE**

University of Colorado Medicine, Disposal Policy for Hazardous Materials (06/30/2002)

CU Medicine established guidelines for disposal of computers and related equipment to assure that we are in compliance with state disposal regulations. To view the state regulations, please see the website [www.cdphe.state.co.us/hm/](http://www.cdphe.state.co.us/hm/). See the "Environmental Index A to Z" for guidance on various categories of waste.

### Hazardous Waste Classification Examples

- Computers, Servers and Related Equipment
- Color Monitors
- Printers

### Summary from State Regulations

- State regulations prohibit disposal except according to hazardous waste guidelines.
- Equipment is defined as hazardous waste if it is considered non-functioning.

### CU Medicine Policy and Procedures

- Contact the Financial Operations Manager, CU Medicine Finance Department, to arrange for the disposal of CU Medicine owned equipment that is classified as hazardous material. Arrangements will be made for a vendor to contact you about removal of equipment. You can then set a date with the vendor. Invoices for the service must be sent to the CU Medicine Finance Department.
- Before calling for pick-up of hazardous waste: Record brand, model and serial number of each item. Have that list ready for the recycler. The listing of equipment is mandated by state regulations. The recycler may charge you if he must create a list.
- Email a record of the items to be disposed of to the Financial Operations Manager, CU Medicine Finance. CU Medicine asset tag numbers must be included.
- CU Medicine will pay for removal of CU Medicine equipment only.
- UCD may not handle disposal of non-state property, therefore CU Medicine will provide the removal service.

**EXHIBIT A**

**UNIVERSITY OF COLORADO MEDICINE  
Lease Checklist**

YES      NO

           **Transfer of Ownership** - Does the lease transfer ownership of the asset to CU Medicine?

           **Bargain Purchase Option** - Does the lease contain a bargain purchase option?

           **Economic Life** - Does the lease period equal or exceed 75% of the assets economic life?

Lease period = \_\_\_\_\_

Estimated Economic Life = \_\_\_\_\_

           **Recovery of Investment** - Does the present value of the minimum lease payments equal or exceed 90% of the fair market value of the asset?

Minimum # of Lease Payments CU Medicine is obligated to make \_\_\_\_\_

Amount of payment representing Excutory Costs (ins., maint., taxes, etc.) \_\_\_\_\_

Payments are due at the beginning or end of the period? \_\_\_\_\_

Interest rate: \_\_\_\_\_

Fair Market Value: \_\_\_\_\_