

Title:	Procurement, Purchasing & Leasing	Effective Date:	03/01/2012
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Functional Area:	Accounting/Payroll		

POLICY

It is the policy of Liberty Healthcare Corporation to obtain the best value for the materials, goods, and services that it purchases or leases. Price, quality, and service are considered when determining best value. Liberty maintains the highest ethical standards in dealing with vendors. Wherever practical, Liberty purchases or leases from small businesses and/or women/minority owned vendors. Contract Managers are responsible for ensuring purchases or leases are made in accordance with the contract budget and will work with the corporate Accounting Department to verify the same. This policy provides guidelines for those Liberty employees who are responsible for purchasing or leasing goods or procuring services ("Employee") to utilize in obtaining the best value. This policy does not apply to personnel costs and related expenditures which are covered by the company's Human Resources policies.

PROCEDURE

Procurement of Goods and Services

Once a business need for goods (e.g. equipment, supplies) or services (e.g. maintenance, experts) arises, the Employee shall:

1. Identify those vendors who can provide the goods or services needed;
2. Obtain pricing (this may include pricing for purchasing and/or leasing);
3. Determine the total annual cost;
4. Determine the impact on the budget;
5. Determine whether purchasing or leasing is more advantageous;
6. Discuss with the Supervisor/Executive Director/ Contract Manager/ Chief Operating Officer as appropriate;
7. Determine whether to proceed;
8. If it is decided that a purchase or lease is not appropriate, determine alternative ways to address the business need (e.g. repair existing equipment; negotiate pricing/services with identified vendors; identify additional vendors with better pricing/services, etc.) and proceed accordingly;
9. If it is decided that a purchase or lease should be made, determine which threshold (as set forth in the table below) is applicable and proceed accordingly.

Purchases or Leases of goods or services whose total annual cost is:

Under \$1,000.00	Over \$1,000.00 but Under \$10,000.00	\$10,000.00 or Over
<p>Written quotes/proposals are not required if the cost is within budget and the purchase or lease is approved by the appropriate Manager(s).</p> <p>However, Liberty encourages contacting several vendors in order to obtain the best value.</p>	<p>Written quotes/proposals are not required (but are recommended) if the cost is within budget and the purchase or lease is approved by the appropriate Contract Manager.</p> <p>However, two to three estimates through an internet search or other reasonable means shall be obtained.</p>	<p>Written quotes/proposals are required and shall be obtained from three vendors.</p> <p>A memo is prepared stating why the purchase or lease is needed, which vendor offers the best value, if the cost is within budget or an explanation if the cost is not within budget.</p> <p>The written quotes/proposals and memo are submitted to the appropriate Contract Manager.</p> <p>If written quotes/proposals cannot be obtained from three vendors, the memo should also include the reason and what alternative steps were taken to ensure favorable pricing/quality/service was obtained.</p> <p>The Contract Manager approves the recommendation, requests additional information, or denies it.</p>

The Employee is required to make the Supervisor/Executive Director/ Contract Manager/ Chief Operating Officer, as appropriate, aware of any conflict of interest that exists, could potentially exist, or appear to exist with a vendor.

If a contract is needed, the Employee will submit the Contract Requisition Form with Vendors of Goods or Services along with supporting documentation to Liberty’s Director of Legal Support and to the appropriate Contract Manager for approval. The Contract Manager approves the request, requests additional information, or denies it. Once approved by the Contract Manager, the contracting process commences in accordance with the Standard Operating Procedure (“SOP”) for Contract Requisition with Vendors of Goods or Services.

If a contract is not needed and the cost is in budget, the Employee shall contact the chosen vendor and shall proceed with purchasing or leasing the goods or procuring the services (e.g. setting up accounts, making payment arrangements).

If a contract is not needed and the purchase or lease falls outside of the approved budget, the appropriate Contract Manager’s written approval must be obtained. If the Employee is a Contract Manager, the purchase or lease outside the approved budget must be approved in writing by the Chief Operating Officer. Once approved, the Employee shall contact the chosen vendor and shall proceed with purchasing or leasing the goods or procuring the services (e.g. setting up accounts, making payment arrangements).

Payment for Goods, Services, and Materials

In general, payments for goods and services will be paid by Corporate Accounts Payable in accordance with an invoice approved by the Employee authorized to purchase or lease the goods and services plus, if applicable, an executed contract. In these instances, the Employee will approve invoices from the vendor and forward them to Liberty's Accounting Department, per the Accounts Payable SOP. Contract Managers may seek approval for alternative payment arrangements from the Chief Operating Officer and Chief Financial Officer in certain circumstances. The approvals must be obtained in writing. These will generally be limited to situations requiring local purchase or lease of routine lower cost items. In such cases, the following payment methods may be approved:

- a. **Account with Supplier** – If a line of credit is necessary, the Employee will forward the credit application to Liberty's Accounting Department for completion. After an account is set up, the Employee authorized to purchase or lease the goods and services will approve and submit invoices to Liberty's Accounting Department for payment. The Employee authorized to purchase or lease the goods and services is responsible for reporting the existence of any vendor account to Corporate Accounts Payable and to document the approval by the Chief Operating Officer and Chief Financial Officer.
- b. **Petty Cash Account** – In some locations a Petty Cash account may need to be established. If needed, it must be in accordance with the Petty Cash SOP.
- c. **Credit Card** – Where it is advantageous to Liberty for purchases or payments to be made via credit card, the Employee may request approval from the appropriate Contract Manager and President to obtain a credit card. The credit card will be ordered by the Senior Accounting Generalist in the corporate Accounting Department. All charges on the credit card must be made under the direction of the appropriate Manager. Receipts must be forwarded to Liberty's Accounting Department and reconciled to the statement by the appropriate Manager.
- d. **Expense Reimbursement** – Occasionally, a Liberty Employee may pay for materials, goods, and services themselves and request reimbursement via an expense report. This should only be done in an emergency situation, if there is insufficient time to process a check request or open an account with the vendor. Expenses so reported should be on a separate expense reimbursement request as different tax treatments may apply. Completion of the expense report must be in accordance with Liberty's Expense Reimbursement SOP. All such requests must be approved in writing by the appropriate Contract Manager. If the Employee is a Contract Manager, the request must be approved in writing by the Chief Operating Officer.
- e. **Check Request** – Occasionally, a payment must be made before services are rendered or without an invoice. Examples include rent payments made pursuant to a contract, purchases of urgently needed supplies or leases of equipment. Requests for payment that are not made pursuant to an executed contract (e.g. rent) are expected to be infrequent. All check requests made that are not pursuant to an executed contract must be approved in writing by the appropriate Contract Manager. If the Employee is a Contract Manager, the request must be approved in writing by the Chief Operating Officer.

See Guidelines set forth on Attachments A, B and C on the Following Pages

Attachment A

Guidelines on Purchasing or Leasing Practices

The following guidelines are provided to assist Liberty Employees in conducting a thorough procurement process once a business need for goods (e.g. equipment, supplies) or services (e.g. maintenance, experts) arises. It is Liberty's expectation that its Employees will utilize this guide, as applicable.

I. Selecting Vendors

A. **Research- Identify vendors who can provide the goods or services needed**

- Yes No (1) Refer to Liberty's Guidelines for Purchasing Goods or Services Manual which identifies Liberty's preferred vendors;
- Yes No (2) Check with the corporate office to see if it has a relationship with an existing vendor that could be utilized.
- Yes No (3) Talk to colleagues who might have purchased or leased a similar good or service;
- Yes No (4) Conduct an internet search for the best vendors and best pricing locally, nationally, and/or internationally;
- Yes No (5) Consult trade publications, directories, supplier catalogues, and professional journals;

B. **Once a list of potential vendors has been identified, begin evaluating each vendor's capabilities.**

- Yes No (1) Check references of the vendor's primary customers;
- Yes No (2) How long has the vendor been in business?
- Yes No (3) Does the vendor use technology that is adequate to meet business need?
- Yes No (4) Does the vendor offer any discounts that we would be eligible for?

C. **After potential vendors have been evaluated, identify which vendors to obtain quotes/proposals from.**

II. Obtaining Quotes/Proposals

A. **In order to make an informed and objective decision, it is important to comparison shop for the best pricing, quality, and service.**

- (1) Each quote/proposal should contain the same or substantially similar detail:
 - a. The goods or services should be described in detail and specifications should be clear and complete:
 - Yes No i. Quantity;
 - Yes No ii. Quality of Goods/Acceptable Level of Performance for Services;
 - Yes No iii. Delivery Terms/Location;
 - Yes No iv. Warranty;
 - Yes No v. Pricing (cost per item/hour/flat fee; shipping; purchasing vs. leasing; one-time cost, annual cost or both);
 - Yes No vi. Payment Terms;
 - Yes No vii. Service Deliverables;
 - Yes No viii. Will the Vendor have access to **PHI**?

Protected Health Information (PHI) under US law is any information about health status, provision of health care, or payment for healthcare that is created or collected by a Covered Entity (or a Business Associate of a Covered Entity) and can be linked to a specific individual.

- Yes No N/A
- Yes No N/A
- Yes No N/A

- ix. Is the Vendor HIPAA compliant?
- x. Will the Vendor sign our Business Associate Agreement?
- xi. Is the Vendor located in the United States?
If no, we will need IRS Form W8BEN which can be obtained from the Accounting Department's Controller or designee.
- xii. Will any services be provided or data accessed outside of the US?

- Yes No N/A

(2) Will a contract be needed? If unsure, contact the Legal Department.
If so, obtain copies of the potential vendor(s)' proposed contracts electronically via e-mail so that if changes are needed during negotiation they can be tracked. Contracts should be compared to each other to help determine what is reasonable to expect and should be used as a tool in negotiations with the potential vendors.

- (3) Determine the total annual cost;
- (4) Determine the impact on budget;
- (5) Determine whether purchasing or leasing is more advantageous;
- (6) Discuss with the Supervisor/Executive Director/ Contract Manager/Contract Manager/Chief Operating Officer as appropriate;
- (7) Determine which vendor is the best choice;

- Yes No

Are you aware of any conflict of interest that exists, could potentially exist or appear to exist with the chosen Vendor?

If so, you are required to notify the Supervisor/Executive Director/ Contract Manager/Contract Manager/ Chief Operating Officer, as appropriate.

- (8) Determine whether to proceed;
- (9) If it is decided that a purchase or lease is not appropriate, determine alternative ways to address the business need (e.g. repair existing equipment; negotiate pricing/services with identified vendors; identify additional vendors with better pricing/services, etc.) and proceed accordingly;
- (10) If it is decided that a purchase should be made or a lease entered into, determine which dollar amount threshold (as set forth in the table below) is applicable and proceed according to the remainder of the Procurement, Purchasing & Leasing SOP.

Attachment B

The following guidelines are provided to assist Liberty employees in reviewing a contract. It is Liberty's expectation that its employees will utilize this guide, as applicable.

- The contract should state the correct Liberty entity name (i.e. Liberty Healthcare Corporation; Liberty of Oklahoma Corporation; Liberty Behavioral Health Corporation, Liberty Residential Services, Inc., etc.).
- The contract should be clear about exactly what is being purchased whether it is goods or services (i.e. make, model number, quantity, pricing, etc.).
- The contract should be as specific as possible as to how and when goods or services will be delivered.
- The contract should have an "out" clause that enables Liberty to terminate the contract without cause at any time or within 30 days or another reasonable amount of time.
- If the contract has a Penalties for Late Payment section it should not exceed .05% per month for a late fee and it should also allow at least 30 days for Liberty to render such payments from the time Liberty receives and approves the invoice.
- If a vendor is providing services to Liberty on-grounds at a Program, the contract should state that the vendor carries general liability and worker's compensation insurance in limits as specified by state law. More specific insurance types and limits may be required depending on the circumstances. The Legal Department will advise during its review of the contract.
- All notices to be sent to Liberty pursuant to a contract should be sent to the attention of Liberty's President.
- Successors & Assigns - The contract shouldn't allow the assignment of goods, services, rights, duties and/or obligations to a third party without Liberty's consent in writing.
- Attorney's Fees - should not be included, if at all possible.
- Governing Law - should be Pennsylvania, if at all possible.
- Hold Harmless - Liberty should be held harmless, if at all possible.
- All contract provisions should be as clear as possible and not be subject to more than one interpretation.

Attachment C

The following guidelines are provided to assist Liberty employees in reviewing an office lease. It is Liberty's expectation that its employees will utilize this guide, as applicable.

Initial Considerations:

- What are our needs (location, features and amenities needed, the number of FTE's using the space)?
- What is our budget?
- What space is available in the marketplace for our budget?
- Is a commercial realtor needed (consult with Contract Manager)?

Office Leases should include:

- The full legal name (i.e. Inc., Corp., LLC, etc.) and full address (i.e. street number and name, suite number, city, state and zip) of the Landlord/Lessor and Tenant/Lessee (i.e. Liberty Healthcare Corporation; Liberty of Oklahoma Corporation; Liberty Behavioral Health Corporation, Liberty Residential Services, Inc., etc.);
- The full address of the property being leased ("Premises");
- The square footage of the Premises;
- The lease should have an "out" clause that enables Liberty to terminate the lease without cause at any time or within 30 days or another reasonable amount of time. If not possible, then an "out" clause if our Client Contract (State, County, Hospital, etc.) ends for any reason or is substantially reduced.
- The Landlord (not Tenant) shall:
 - Be responsible for keeping the electrical, plumbing, heating and air conditioning systems and any other systems, equipment or fixtures servicing the Premises in good working order and in a safe condition.
 - Be responsible for all repairs required to all building systems described above, as well as the roof, exterior walls, structural foundations and avenues for ingress and egress (hallways, entrances and exits).
 - Be responsible for maintaining in good condition such portions adjacent to the Premises such as sidewalks, driveways, lawns, shrubbery and daily janitorial service at no additional cost to Tenant.
 - Provide all utilities (water, oil, gas, electric, sewer, etc.) to Premises for use of Tenant at no additional cost to Tenant.
 - Provide general liability insurance for the building and grounds. (Tenant shall provide general liability for the Premises and property insurance for the contents.)

Office Leases should NOT include:

- Language that Tenant shall be required to pay liquidated damages;
- Language that Tenant shall appoint Landlord as attorney-in-fact;
- Language that Tenant shall provide its financial statements.

Some Additional Considerations:

- Is parking included or excluded? If included, the Lease should specify the details (i.e. location, number of spaces, are the spaces designated, etc.).
- Is security needed? If so, does the Landlord provide it at no additional cost?
- Make sure any references in the Lease to Riders, Attachments or Exhibits are included.

Approved By: _____

Revision History

Version	Date	Author	Summary of Changes
#1	03/01/2012	Shirley Greenlee	Policy Created
#2	03/21/2021	Shirley Greenlee	Policy reviewed with the following changes: replaced VPO with Contract Manager
#3	09/21/2021	Shirley Greenlee	Policy reviewed with further changes made.