



POLICY AND PROCEDURE MANUAL

SUBJECT Purchasing	ACCOUNTABILITY	Effective Date: February 7, 2020	Pages: 2
REQUIRED BY	BBA Section: 42 CFR 438.21 PIHP Contract Section: 6.4.1 Procurement Technical Requirement Other: 2 CFR 200 Subpart (D) Sections 318-326;	Last Review Date: January 1, 2014	Past Review Date:
Policy: <input checked="" type="checkbox"/> Procedure: <input type="checkbox"/>	Review Cycle: Annual Author: NMRE CFO	Responsible Department: Finance	Reviewers: NMRE CEO

Definitions

Community Mental Health Services Program (CMHSP): For the purposes of this document, a CMHSP member is one or more of the following: AuSable Valley Community Mental Health Authority, Centra Wellness Network, North Country Community Mental Health, Northeast Michigan Community Mental Health Authority, and Northern Lakes Community Mental Health Authority.

Employee: Anyone working for the Northern Michigan Regional Entity (NMRE) and whose salary is paid by the NMRE. Also known as “NMRE staff.”

Generally Accepted Accounting Principles (GAAP): A set of rules that encompass the details, complexities, and legalities of business and corporate accounting.

Michigan Department of Health and Human Services (MDHHS): The principal department of the state of Michigan, headquartered in Lansing, that provides public assistance, child and family welfare services, and oversees health policy and management.

Northern Michigan Regional Entity (NMRE): The PIHP for Region 2, the 21-counties located in Michigan’s northern lower peninsula.

Northern Michigan Regional Entity (NMRE) Governing Board: The Governing body of the Entity, appointed by the Member CMHSPs. Each Member CMHSP appoints three (3) Members of its own Board to the NMRE Governing Board. The Board does not directly operate the NMRE; it only determines policy which is executed by the NMRE’s Chief Executive Officer. Also known as “NMRE Board of Directors.”

Office of Management and Budget (OMB): The business division of the Executive Office of the President of the United States that administers the United States federal budget and oversees the performance of federal agencies.

Prepaid Inpatient Health Plan (PIHP): One of ten organizations in Michigan responsible for managing Medicaid services related to behavioral health, development disabilities, and substance use.

Purpose

The purpose of the policy is to provide guidance to the Northern Michigan Regional Entity (NMRE) employees involved in purchasing goods and services to assure:

- A. That the NMRE 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 employees are encouraged to exercise discretion in the purchasing process.

Policy

NMRE will comply with Federal Procurement Requirements in accordance with 42 CFR 438.12 and the Michigan Medicaid Prepaid Inpatient Health Plan Contract when contracting for goods and services.

Approval Signature



NMRE Chief Executive Officer

2/7/2020

Date

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Procedure

A. Oversight and supervision of the purchasing process will be as follows:

1. **\$0 – \$1,999:** Purchase of goods or services valued within this range may be purchased without written cost quotation or proposals. The responsible employee will solicit verbal quotations and the purchase will be made from the vendor best able to provide necessary goods or services based on price, availability of goods, and delivery schedule.
2. **\$2,000 – \$24,999:** Purchase of goods or services valued within this range will be preceded by the solicitation of cost proposals as directed herein and approved by the Chief Financial Officer (CFO) or Chief Executive Officer (CEO). The purchase will be made from the vendor best able to provide the necessary goods or services with the price being the primary consideration. Employees must document and include in the accounts payable file the reason for all purchases made where the low-cost proposal is not accepted. The NMRE will capitalize any purchases over \$5,000.
3. **\$25,000 and higher:** Purchase of goods or services valued within this range will be preceded by the solicitation of cost proposals as described in the NMRE Procurement through Request for Proposals (RFP) procedure. The purchase will be made from the vendor best able to provide the necessary goods or services with price being the primary consideration. The NMRE will capitalize these purchases.

Items or services previously approved by the NMRE Governing Board will be brought back to the Board for review and approval if there is a dollar amount variance of 5% or \$10,000 from the original approval amount.

EXCEPTIONS:

1. Properties/facilities and maintenance purchases will be bid out when the annualized or per item cost/values exceeds \$10,000.
2. The purchase of computer hardware and/or software valued less than \$5,000 will not be subject to this policy/procedure. The purchase may be approved when, in the judgement of the Chief Information Officer (CIO), the purchase is made from the vendor best able to provide necessary goods or services based on price, availability of goods, and delivery schedule.
3. The purchase of computer services valued less than \$20,000 may be approved by the CIO when the provider of the services has already been selected to provide similar services within the previous 24 months via 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. The purchase of employee/physician insurances of \$25,000 and higher may not follow the RFP process if the responsible Manager determines that a solicitation of cost proposals is more appropriate.
- B. Employees will obtain cost proposals from qualified vendors for goods and services specified in this the NMRE Procurement policy/procedure. Proposals may be obtained by means of direct solicitation or by advertising through newspapers, 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 will be left to the discretion of the department making the purchase. Generally, the receipt of at least three (3) cost proposals will be required prior to making a purchase; however, the receipt of fewer proposals will be acceptable, provided that reasonable effort and solicitation processes is documented and approved.
- C. The NMRE will develop specifications for cost proposals that are sufficiently complete so that all vendors provide quotations that are comparable. Specifications will not be designed to favor a brand or type of product, or to exclude a vendor, without good cause. Good cause for narrow or restrictive specifications may include but it not limited to compatibility with existing systems or equipment, or specific needs of the NMRE that few vendors are capable of fulfilling, professional or technical judgment of NMRE staff, and previous NMRE experience with vendors of products. The reasons for restrictive or narrow specifications will be clearly defined and filed with all other cost and proposal documents. NMRE staff may also make purchases without obtaining cost proposals if only one (1) vendor or product exists, or if proposals for identified products were received within the past 12 months.
- D. Staff will maintain records adequate to detail the significant history of a procurement decision. These records will 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 will be maintained with the NMRE Provider Network department.
- E. It is the responsibility of the designated staff to confirm that funds have been allocated and are available prior to purchase.
- F. All audits required by the NMRE will be obtained by direct solicitation or by advertising, which will adhere to the principles stated herein. The length of the initial audit period will not exceed three (3) years. The CFO will approve the audit specifications and proposal process. All responses to audit cost proposals will be reviewed and approved by the NMRE Governing Board. The NMRE 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.
- G. Under certain circumstances, the NMRE may contract with vendors or providers through single-source procurement without executing a competitive bid process. These circumstances may include 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 several 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.
- H. For purchased funded with federal funds, the NMRE will comply with requirements of the Davis-Bacon Act, the Copeland "Anti-Kickback" Act, and the Contract Work Hours and Safety Standards Act.
- I. NMRE funds may not be utilized for the purchase of alcohol, marijuana, or tobacco products.

Approval Signature

A handwritten signature in black ink, appearing to read "Eric Rung", is written over a horizontal line.

NMRE Chief Executive Officer

2/7/2020

Date