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1. PURPOSE

The purpose of this policy is to provide a standardized definition and approach to the issuance of purchase orders (POs) to facilitate the acquisition and distribution of supplies, equipment, and services throughout Aurora Health Care. Additionally, this policy defines methods by category for procuring items and services. This policy pertains to requisitions and purchase orders generated from any Aurora Health Care information system unless otherwise noted as MMIS/IREQ (Materials Management Information System).

2. SCOPE

This policy applies to all purchasing via Aurora Health Care information systems conducted on behalf of Aurora Health Care, Inc. and any entity or facility owned or controlled by Aurora Health Care, Inc. (collectively "Aurora").

3. DEFINITIONS

Accounts Payable: or AP is a team within the Finance Department responsible for executing payment to vendors and Aurora business partners.

ASL or Purchasing: the Aurora System Logistics Department or Supply Chain. Purchasing is the division of Supply Chain that process purchase orders to transact with a vendor.

EDI: Electronic Data Interchange

APE: Approval for Expenditure otherwise known as our capital request system

IREQ: Aurora's electronic requisition tool used to request the purchase of non-capital goods or services through Sourcing Operations.

MMIS: Aurora's Materials Management Information System.


New Vendor: a vendor that is not included within Aurora's Vendor Master File.

PO: or Purchase Order is a commercial document issued by a buyer (Aurora Purchasing) to a seller, indicating types, quantities, and agreed prices for products or services the seller will provide to Aurora Health Care. Sending a PO to a supplier constitutes a legal offer to buy products or services.

Requestor: an authorized Aurora caregiver who requests the purchase of a product or service through IREQ.

Draw Down PO: Previously referred to as standing, blanket, equipment maintenance, service, support purchase orders. These are purchase orders intended for services only (exceptions below) and used when the supplier typically is expected to provide the service multiple times over a specified period of time.

Special Purchase Order: This is a PO that can bypass the New Item Request process (New Item Approval Policy). These items must be non-medical items that are ordered less than one

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time per month. They must be requisitioned through the special process within MMIS/IREQ and are receivable goods. Services do not qualify for a Special PO.


4. POLICY

4.1 Overview of Key Internal Controls


- a) Only ASL's Purchasing department will have the authority to commit company funds through the issuance of Purchase Orders. The procurement of supplies, equipment, and services required for operations and patient care, including inventory supplies, non-inventory departmental supplies, major and minor equipment, maintenance agreements and other services is a commitment accomplished by the issuance of a PO through ASL's Purchasing or other caregivers as approved by Aurora's Controller.
- b) Responsibility for the completion of the receiving a PO resides with the caregiver in the department who signed for the delivery of the goods or approves the completion of services rendered. (If the goods are physically received at a delivery dock maintained by ASL's Distribution Department, that department is responsible for completion of receiving within MMIS. In other circumstances, the caregiver signing for the goods is responsible for completion of the receiving report within MMIS).
- c) Aurora's Accounts Payable Department receives invoices, enters the invoices into MMIS and issues payment to the vendor. To ensure that all procurement activities are subject to appropriate controls, Aurora requires a "three-way match" prior to any payment for goods and services. This "three-way match" requires consistency between the Purchase Order, the PO receipt or Invoice approval and the vendor's invoice.

4.2 Purchase Order Transactions


- a) All appropriate transactions requiring a PO are governed by the [PROCURE TO PAY](#) Policy. Please see that policy to determine when a PO should be utilized.
- b) An approved purchase order is required prior to commitment of funds for supplies, equipment, services and capital items (with the exception of the non-PO categories listed in [PROCURE TO PAY](#) Policy Appendix A).
- c) A vendor must be fully vetted by Aurora System Logistics Contract Administration team before a PO can be issued to that vendor (see [VENDOR VETTING](#) Policy).
- d) The existence of a contract does not preclude the need for a purchase order. The business owner is responsible for starting the contract process and obtaining appropriate signoff (see [SIGNATURE AUTHORITY AND CONTRACTING](#) Policy). At the discretion of the legal department a contract may be required before the issuance of a PO.

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- e) An Aurora MMIS/IREQ electronic purchase requisition is the primary document to initiate the procurement of goods and services and is the electronic document to communicate to ASL's Purchasing specifications concerning a product or service to be purchased.
- f) POs will only be issued when an MMIS/IREQ electronic purchase requisition containing complete and accurate information required for processing has been approved within the Aurora MMIS/IREQ as defined by the [SIGNATURE AUTHORITY AND CONTRACTING](#) Policy.
- g) A PO is a legal document governed by the law of contract and the Uniform Commercial Code of Law (UCC). The PO is intended to be the legal document evidencing the terms and conditions of an agreement between Aurora Health Care and the other party or parties. For this reason:
 - i. The PO must contain all of the terms, conditions and agreements between and among the parties governing the parties' respective duties and obligations. Note: EDI transactions may not contain the above due to technology constraints however a contract or signed acknowledgement that Aurora Terms and conditions apply for all EDI vendor governing the transaction.
 - ii. If a contract other than the PO governs the terms and conditions of the relationship between or among the parties, the other agreement(s) governs such contracting relationship and supersedes the terms and conditions of the PO.
- h) **Supplier Communication and Responsibility**
 - i. A copy of the PO will be sent to the supplier via fax transmission or EDI when possible and will contain the relevant terms and conditions of the transaction within the PO. AFE orders will typically be processed via email.
 - ii. Suppliers who accept POs issued by Aurora Health Care shall agree to abide by the terms and conditions set forth on the PO. Additional terms may be added to the order as required, such as significant/specific terms regarding freight, delivery, etc. ASL's Sourcing Strategies team will negotiate any and all terms.
 - iii. Suppliers are responsible for notifying via EDI or facsimile the ASL Purchasing department within 24 hours of receiving the Aurora PO with the confirming information below.
 - 1. Price per the Unit of Measure as defined on the Aurora PO or Price per Unit of Measure invoice will display;
 - 2. Anticipated Delivery date or note shipping date;
 - 3. Freight Terms
 - 4. Minimum Order Fees, if applicable
 - 5. Additional fees not noted on the original Aurora PO
- i) Only authorized ASL Purchasing staff may transmit Aurora MMIS POs. An MMIS/IREQ purchase requisition is not a PO and shall not be used or represented as such.
- j) ASL Purchasing may consolidate requisitions at their discretion.


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- k) Pharmaceutical purchases through the distributor or manufacturer order entry system do not require a PO from the MMIS systems. Pharmaceutical products that are carried/stored in storeroom inventory do require a purchase order.
- l) In the event a purchase order has been created for a category that is defined as a non-purchase order transaction or a non-purchase order transaction is processed for a purchase order transaction category, the requester is to consult with Purchasing or Accounts Payable for direction on how payment should be processed moving forward . In limited instances, it may be determined beneficial to utilize a purchase order to facilitate efficient operational processes. These instances will be applied universally, as appropriate, with the approval of the Aurora Health Care Senior Vice President of ASL.
- m) Aurora AFE or MMIS/IREQ requisitions submitted to create a purchase order at no cost/charge is acceptable to document products for consignment, trialing of product/equipment, product samples and replacement of product/equipment.
- n) Types of Transactions requiring a PO:
 - i. Standard Operating PO's – A standard operating PO is intended for use on receivable goods and services that are expenses related to day to day operations. These types of PO's are requisitioned through the MMIS/IREQ process.
 - ii. Draw Down PO's – Previously referred to as standing, blanket, equipment maintenance, service, support purchase orders. These are purchase orders intended for services only (exceptions below) and used when the supplier is typically expected to provide the service multiple times over a specified period of time. The quantity and/or amount of each service may or may not be known. An electronic receiving transaction is not performed on a draw down PO. Draw Down PO's have a 13 month duration maximum unless otherwise governed by a contract.
 - 1. There are a limited acceptable categories for the issuance of a Draw Down PO for physical goods:
 - i. Custom Orthotics and Prosthetics
 - ii. Medical and industrial gases
 - iii. Dental products
 - iv. Custom Hearing Aids
 - v. Custom embroidery and linens
 - vi. Aurora at Home drop shipped goods
 - iii. Special PO's – This is a PO that can bypass the New Item Request process (New Item Approval Policy). These items must be non-medical items that are ordered less than one time per month. They must be requisitioned and approved through the special PO process within MMIS/IREQ and are receivable goods. Services do not qualify for a Special PO.
 - 1. There are a limited acceptable categories for the issuance of a Special PO for medical items:

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- i. Pharmaceutical items. These transitions will be reviewed monthly for appropriateness by the Pharmacy Supply Chain team.
 - iv. Bill Only Purchase Order - A Bill Only PO is intended for use when a supplier representative delivers product(s) or services directly related to that specific patient case. A Bill Only PO provides an automated / expedited PO number in MMIS.
 - v. PO Only – Aurora MMIS requisitions submitted to create a purchase order after the supply, equipment or service has been physically acquired or work performed is not an acceptable practice or in compliance with this Policy. These transactions are commonly referred to as “After the Fact PO” or “PO Only”.
 - 1. A purchase order will not be created for the sole purpose to pay an invoice, unless the service in question will continue to be provided in the future.
 - 2. There are a limited acceptable reasons for the acquisition of goods/services prior to obtaining a purchase order:
 - i. Inpatient Custom Orthotics/Prosthetics/Hearing Aids/Dental goods.
 - ii. Controlled substances purchased directly from the manufacturer.
 - iii. Replacement of goods from loss, theft or shrinkage.
 - vi. AFE PO – Is a PO created from the AFE system. The request for funds is fully approved and vetted in the AFE system, once approved a requisitioner can submit a request against the approved AFE. This request interfaces with the MMIS system where an official PO is created. See [CAPITALIZATION](#) Policy for further details on what qualifies for capital expenditure.
- o) If a purchase (commitment) is made for goods and/or services that are required to have a PO and a PO was not issued prior to the invoice date, Aurora Health Care may execute the right to not pay the Supplier.
 - i. A purchase requisition for which delivery or performance has begun or is completed without the proper purchasing authorization, or is otherwise an unauthorized procurement transaction, the purchase requisition may be cancelled. The requester, the hospitals VP of Finance, and Accounts Payable will be informed of the cancelled requisition.
 - ii. An individual who initiates an unauthorized purchase for goods/services may be held responsible for all costs incurred and may be subject to disciplinary action in accordance with [CAREGIVER ACCOUNTABILITY](#) policy even if the unauthorized procurement is ultimately ratified and paid by Aurora

4.3 Non-Purchase Order Transactions

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- a) See Procure to Pay Policy for approved transactions not requiring a PO.

4.4 Violation of Purchase Order Requirement

- a) First Violation: An initial email notification to the caregiver reminding them of the violation and the appropriate process to follow.
- b) Second Violation: An email warning may be issued to the caregiver and their supervisor.
- c) Subsequent Violations: Violations may be subject to [CAREGIVER ACCOUNTABILITY](#) policy.


5. PROCEDURE

5.1 The following steps will outline the process for obtaining a Purchase Order for goods and services. See [AUTHORIZATION FOR EXPENDITURES](#) Policy for Expenditure for AFE processing.

- a) Obtain Access to the IREQ application.
- b) Request new item be added to IREQ via the NIRF process where appropriate. See [NEW ITEM APPROVAL](#) Policy.
- c) Requisition for goods and services in IREQ.

5.2 IREQ

- a) Use of IREQ. Requests to purchase non-capital goods or services are submitted using Aurora's electronic requisition (IREQ) tool. IREQ can be located on Caregiver Connect. Requests for capital expenditures are processed through a separate AFE process. See [CAPITALIZATION](#) Policy and [AUTHORIZATION FOR EXPENDITURES](#).
- b) IREQ Access Rights. IREQ access rights must be requested via Caregiver Connect SMS ticket.
 - i. All IREQ applicants must identify the specific organization and area number for orders to be charged.
 - ii. The IREQ applicant's leader must send an email approval of the applicant's request to the IREQ administration email box: IREQ.Administration@aurora.org.
 - iii. Failure of the manager to submit an email approval within ten (10) business days will result in the IREQ applicant's request being denied.
 - iv. An email will be sent to the IREQ Requestor and the Requestor's manager notifying them of the denial. IREQ access rights are reviewed by ASL's Data Team to ensure that appropriate segregation of duties is maintained at all times.

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- c) Requisition Limits. ASL in conjunction with Finance will impose dollar limits on individual caregivers requisition authority based on the [FINANCIAL APPROVAL AUTHORITY](#) Policy.
 - i. In the event that an individual requisition exceeds the authority of the requesting caregiver, the requisition will be routed to successively higher levels of authority until appropriate approval is received via IREQ.
- d) Requisition to Purchase Order. Once approved, each requisition of products or services becomes a Purchase Order that is issued to the appropriate vendor and each requisition of products maintained in stock is transmitted to the appropriate Distribution department for order fulfillment. All PO's issued directly to vendors are processed by ASL Purchasing Team.
- e) IREQ Training. IREQ training can be requested by sending an email to the IREQ administrator at IREQ.Administration@aurora.org

CROSS REFERENCES:

- [CAREGIVER ACCOUNTABILITY](#)
- [PROCURE TO PAY](#)
- [CAREGIVER BUSINESS MILEAGE EXPENSE REIMBURSEMENT](#)
- [PROFESSIONAL ORGANIZATIONS MEMBERSHIP](#)
- [CONFLICTS OF INTEREST-CAREGIVERS](#)
- [GIFTS AND BUSINESS COURTESIES](#)
- [PROCUREMENT CARD](#)
- [SIGNATURE AUTHORITY AND CONTRACTING](#)
- [FINANCIAL APPROVAL AUTHORITY](#)
- [PETTY CASH](#)
- [EDUCATIONAL ASSISTANCE](#)
- [CAREGIVER BUSINESS MILEAGE EXPENSE REIMBURSEMENT](#)
- [BUSINESS, TRAVEL AND ENTERTAINMENT EXPENSE](#)
- [CAREGIVER APPRECIATION](#)
- [AUTHORIZATION FOR EXPENDITURES](#)
- [CAPITALIZATION](#)
- [NEW ITEM APPROVAL](#)
- [VENDOR VETTING](#)

REFERENCES:

None

PRIOR REVIEW / REVISION DATES:

10/11, 03/13, 01/14