

Subject:  <b>PURCHASING – SUPPLIES &amp; EQUIPMENT</b>	Issued By:  <b>PURCHASING</b>		
	Approved By: Kathleen R. Hurtado President & CEO		
Policy #: 700-A	Issue Date: May 1, 2008	Revised Date: June 4, 2008	Effective Date: June 4, 2008

Reference: Revised and adapted from LAC + USC Healthcare Network Policy #700 as well as old PSA/HRA policy number PUR-001 dated July 1999 and entitled “Department Overview”, plus original HRA Purchasing Policy dated 8-15-2005 and updated 10-1-2006, 5-1-2008 and updated per USC Expenditure Policies and Procedures dated 5-1-2008 located here: <http://policies.usc.edu/policies/expmanual050108.pdf>; and USC Purchasing Services Policies and Procedures dated 1-2-2006 located at: <http://policies.usc.edu/policies/purchasing010206.pdf>.

**PURPOSE**

To ensure the cost-effective procurement of supplies and equipment, which are appropriate and adequate for HRA’s business operations. *Note: HRA has a strong preference for paperless transactions over paper-based transactions. Wherever possible, HRA’s Purchasing Department will strive to process purchases in a completely electronic manner.*

**PURCHASING DEPARTMENT SERVICES**

HRA’s Purchasing Department:

- Reviews all HRA procurement agreements;
- Obtains competitive quotes for items costing \$5,000 or more;
- Investigates the qualifications of potential Vendors/Suppliers;
- Recommends new Vendors/Suppliers to Staff Accountant who is responsible for establishing all new Vendors/Suppliers;
- Fulfills Purchase Requisitions and/or Purchase Orders;
- Processes Purchase Order changes;
- Ensures that all purchases are in compliance with Equipment and Industry-Sponsored Project requirements.

**POLICY**

HRA’s Purchasing Department shall purchase and maintain adequate levels of supplies, and also shall purchase, lease, or contract to provide any required equipment, along with any associated maintenance agreements, which are necessary for HRA’s business needs.

- For items costing  $\geq$  \$5,000 with a useful life of more than one year such as furniture and equipment, please see HRA’s Fixed Assets Policy located at: <http://www.health-research.org/files/Assets.pdf>.

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- When expenses are to be charged to a Strict Project Account, the terms of the applicable contract or grant will take precedence over HRA’s Purchasing Policy and Procedures; and any such expenses must have been detailed in the IRB-approved, protocol-specific, budget.
- HRA’s Purchasing Department does not handle travel purchases. Please see HRA’s Business Travel Policy located at: <http://www.health-research.org/files/BusTravel.pdf>.

1. **TWO DIFFERENT TYPES OF PURCHASING METHODS:** HRA has two separate methods of paying for goods and/or services:
  - a) **PURCHASE ORDER METHOD:** When this method is used, a Purchase Requisition triggers the creation of a Purchase Order within the HRA Purchasing Department. When matched to a Vendor invoice and delivery confirmation (confirmation required for purchases of \$1,000.00 or more) the Purchase Order then triggers a payment via the HRA Accounts Payable Department. Blanket Purchase Orders are appropriate for: maintenance agreements; leases; rental agreements; stipends; landline, cell phone and/or pager charges; bookstore purchases; express delivery services; and, drinking water delivery services. The Purchase Order Method should always be used to settle Blanket Purchase Orders. *Note: When making recurring monthly payments – even when the amounts differ from month to month – HRA has a strong preference for the Purchase Order Method over the Direct Method. For more information on Blanket Purchase Orders, please see HRA’s Purchasing Procedures located at: <http://www.health-research.org/files/PurchasingProcedures.pdf>.* When using the Purchase Order method, both a Purchase Requisition Form and a Purchase Order must be processed by the Purchasing Department prior to ordering any items or services from a Vendor/Supplier;
  - b) **DIRECT METHOD:** When this method is used, only a Purchase Requisition – and not a Purchase Order – is required. HRA’s Purchasing Department is minimally involved in this method. The direct method should always be used for expense reimbursements or in situations when a check needs to be quickly cut to make a one-time payment for goods and/or services. For example: purchasing office supplies worth more than \$100, paying postage and delivery charges, and similar examples should always be done using the Direct Method;

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*Note: HRA does not pay invoices that are more than six months older than the date of the Purchase Requisition and/or payment request.*

- ONLY HRA'S PURCHASING DEPARTMENT NEGOTIATES PURCHASES:** No one other than HRA's Purchasing Department is allowed to negotiate price, commitments and/or product acceptability which could be binding to HRA;
- CALIFORNIA SALES/USE TAX MUST BE CHARGED:** Neither HRA nor USC is sales tax exempt. The State Board of Equalization requires that HRA pay California Sales/Use tax on all taxable transactions (i.e., tangible, non-edible items) made via non-California merchants (example: Amazon.com). Software and Internet services provided – but not physically delivered – to the end user are exempt from California Sales/Use Tax. Where title to a purchase vests with a federal granting agency such as with HRA Strict Projects, California Sales/Use Tax does not apply. When title vests with the granting agency, a copy of the letter from the agency or a clause in the government contract confirming such an exemption must accompany the payment request. Questions regarding government title clauses should be directed to the HRA's Office of Contract Administration. Some print material may also be exempt from California Sales/Use Tax. Consult the "Printing Team" in USC's Purchasing Services Department for guidance at:  
[http://fbs.usc.edu/depts/purchasing/object.aspx?object\\_id=713](http://fbs.usc.edu/depts/purchasing/object.aspx?object_id=713);

*Note: HRA's Purchasing Procedures contain additional information on California Sales/Use tax with examples of purchases that are exempt from California Sales/Use Tax and examples of purchases that are not exempt from California Sales/Use Tax. Look here: <http://www.health-research.org/files/PurchasingProcedures.pdf>.*

- ONLY HRA'S PURCHASING DEPARTMENT IS AUTHORIZED VENDOR CONTACT:** HRA's Purchasing Department is the only authorized Vendor/Supplier contact for all HRA-related purchases;
- HRA'S PURCHASING DEPARTMENT ACTS AS LIAISON BETWEEN VENDORS & PRINCIPAL INVESTIGATORS (PIs):** HRA's Purchasing Department acts as the sole liaison between Vendors/Suppliers and PIs for all HRA-related purchases;

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6. **ALL PURCHASES FOR RESEARCH MUST BE PREAPPROVED IN IRB BUDGET:** In industry-sponsored clinical trials using human Research Participants, only items that have been preapproved and specifically itemized in a study's IRB-approved budget are allowed to be purchased through HRA. An HRA project number always should be associated with a Purchase Requisition. Expenses outside of IRB-approved budgets must either involve non-human research or must come from a Residual or a Tithe Account;
7. **POLITICAL CONTRIBUTIONS BANNED:** HRA funds may not be used for any political purposes. HRA is classified as a 501(c)(3) nonprofit organization under the Internal Revenue Service (IRS) Code. The IRS strictly prohibits such organizations from making political contributions;
8. **SUBSCRIPTIONS ALLOWED AND REVIEWED:** Subscriptions paid by HRA to professional journals and periodicals are allowed. However, the continuing need for each publication and the correct mailing address associated with each publication should be reviewed by HRA's Purchasing and Accounts Payable Departments on a regular basis. For sales tax purposes, a payment request should indicate how many issues the department will receive per year. For more information on taxable and non-taxable items, please see HRA's Purchasing Procedures located here: <http://www.health-research.org/files/PurchasingProcedures.pdf>;
9. **COMMUTING EXPENSES AND EMPLOYEE PARKING PERMIT NOT REIMBURSABLE:** Expenses incurred when traveling between an employee's residence and place of business are considered personal expenses and are not reimbursable by HRA. Employee parking permits, including daily, weekly and monthly permits, will not be reimbursed or paid for by HRA;
10. **MISREPRESENTATION:** Any entity that misrepresents its status in order to sell goods and/or services to HRA may be punished by the imposition of fines, imprisonment, or both and/or be subject to administrative remedies, including suspension and/or debarment. In short, HRA's Purchasing Department deals honestly, ethically and fairly with all Vendors/Suppliers and expects the same in return;
11. **CODE OF ETHICS:** Because no set of policies can contemplate every possible scenario that may arise, it is expected that HRA Staff Members will act in an ethical manner in all dealings consistent with its Code of Ethics policy located here: <http://www.health-research.org/files/Ethics.pdf>. This compliance is expected, regardless of whether a particular rule or policy provides guidance in any specific situation;

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12. **CONFLICT OF INTEREST POLICY:** Every HRA Staff Member must avoid both actual conflicts of interest and the appearance of conflicts of interest, and be in compliance with HRA’s Conflict of Interest Policy located here: <http://www.health-research.org/files/Conflict.pdf>. In addition, USC’s Conflict of Interest in Research policy must be closely followed. This policy can be found here: <http://policies.usc.edu/policies/conflictresearch110107.pdf>. The term “conflict of interest” refers to situations in which financial or other personal considerations compromise – or have the appearance of compromising – an individual’s professional judgment and ability to perform their work responsibilities. HRA’s Purchasing Department may identify actual or apparent conflicts of interest when conducting company business. In the event that a real or apparent conflict of interest is identified, attempts will be made to obtain disclosure according to applicable policies. HRA’s Executive Management will then take steps to address and manage the conflict. HRA’s Purchasing Department may suspend taking further action on the reimbursement or payment request that initiated the disclosure until the conflict has been resolved. The following conflicts of interest situations are expressly prohibited and are of particular importance to purchasing situations:

- Conditioning any actual or potential business relationship with HRA on a charitable gift or contribution;
- Participating in any way in a negotiation or transaction between HRA/USC and a business entity in which you or your Close Relation has a personal, managerial or substantial financial interest. A Close Relation is defined as a spouse, mutual financial dependent, significant other (or person with whom you are in an intimate relationship); a child, parent, sibling (including in-laws and step-relations), grandparent or grandchild, niece or nephew, aunt, uncle or cousin;
- Soliciting personal gifts or special favors from an individual or from entities that provide, or seek to provide, services or supplies to HRA/USC;
- Accepting personal gifts or special favors from individuals or entities that provide, or seek to provide, services or supplies to HRA/USC. This does not include occasional gifts of nominal or modest value (less than \$50 in value) or isolated invitations to lunch or dinner;

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13. **REPORT SUSPECTED MISAPPROPRIATIONS OR CONFLICTS OF INTEREST:** HRA Staff Members MUST always report known or suspected misappropriations and/or conflicts of interest, regardless of their magnitude, to HRA’s CFO and/or HRA’s President & CEO. Informed management must subsequently conduct an internal audit of the situation;
14. **DEPOSITS & PREPAYMENTS:** HRA prefers not to engage in agreements that require deposits, prepayments, or phase payments. However, if a financial arrangement for such payments is necessary (for events, catering, hotel, construction projects, etc.) then this must be communicated to HRA’s Purchasing Department, stipulated in the Purchase Order and/or any agreement with the Vendor/Supplier, and approved by HRA’s President & CEO or CFO;
15. **SPECIAL INSTRUCTIONS REGARDING THE PURCHASING OF DATA SYSTEMS AND/OR SOFTWARE AND/OR HARDWARE:** Such purchases should be coordinated through HRA’s Information Technology Department to ensure that new purchases are compatible with existing software and equipment;
16. **SPECIAL INSTRUCTIONS REGARDING THE PURCHASING OF RADIOACTIVE AND/OR OTHER HAZARDOUS MATERIALS:** HRA may order radioactive and/or hazardous products, but is not equipped to receive or transport such materials. If radioactive materials are required by a specific industry-sponsored clinical trial, HRA will order the materials, but such purchases must be received by the USC Laboratory Safety Office at the CHP Building, Room 148 at 1540 Alcazar Street, Los Angeles, CA 90033 – (323) 442-2200 voice / (323) 442-2201 fax. Once the radioactive materials are checked-in by the Laboratory Safety Office, they will be delivered to the appropriate Study Team. Non-radioactive, hazardous materials for industry-sponsored clinical trials such as hazardous chemicals, controlled substances, DEA precursor chemicals and/or other select agents will be ordered by HRA, but delivered directly to a Study Team at the research lab or site or to the IDS Pharmacy;
17. **OBTAINING COMPETITIVE QUOTES:** For Purchase Orders greater than or equal to \$5,000, including tax and delivery, HRA’s Purchasing Department is required to obtain competitive quotes from multiple Vendors/Suppliers in order to obtain the best value. Multiple Requisitions (i.e., multiple purchases) may not be created to circumvent this threshold. Exceptions to this policy can be made under the following circumstances:
  - When there is only one manufacturer that produces any particular item;

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- When the Vendor/Supplier is the only company available to sell, service and support their products locally;
18. **PRINT AND PROMOTIONAL ITEMS WITH USC LOGO:** Because USC carefully monitors proper use of its name, colors, seal and logo – known as University trademarks – and due to the many variables to be factored into a print or promotional purchase, USC’s Printing Team must be immediately involved. Promotional items only may be purchased through Licensed Suppliers who are authorized by USC’s Office of Trademark and Licensing to replicate USC’s trademarks. Promotional items include, but are not limited to, customized folders, backpacks, t-shirts, banners, etc., used at conferences and events. Additional restrictions may apply if the promotional item is for resale; For more information, contact USC’s Printing Team at: [http://fbs.usc.edu/depts/purchasing/object.aspx?object\\_id=713](http://fbs.usc.edu/depts/purchasing/object.aspx?object_id=713);
  19. **CONTACT HR FOR TEMPORARY STAFFING AGENCIES:** For information on temporary staffing agencies, please contact HRA’s Human Resources Department;
  20. **NO PERSONAL FUNDS FOR NON-TRAVEL PURCHASES:** Under NO circumstances (except for travel-related purchases) shall HRA Staff Members use personal funds for purchasing goods and services on behalf of HRA and then later seek reimbursement from HRA. This practice is not allowed principally for tax reporting and insurance reasons. In the instance of travel purchases, a Cash Advance may be processed for such purposes if an HRA Administrative Staff Member does not wish to use, or does not have access to, credit that is sufficient to make the purchase. For more information on Cash Advances, please see HRA’s Business Travel Policy located at: <http://www.health-research.org/files/BusTravel.pdf>;
  21. **“AFTER THE FACT” PURCHASE REQUISITIONS ARE FORBIDDEN:** Under no circumstances may a Purchase Requisition be created to pay a Vendor/Supplier after the goods or services have been received (i.e., “after the fact”). Such purchases would not conform to best purchasing practices. This is not meant to restrict legitimate expense reimbursements to individuals, but rather to restrict payments for goods and/or services that have not gone through a competitive quote process or to restrict payments to other than a Preferred HRA Vendor/Supplier;
  22. **PURCHASE ORDER MODIFICATIONS, CANCELLATIONS & CLOSURES:** In the event that a Purchase Order has already been created by HRA and the amount of the Purchase Order needs to be modified, a Purchase Order Change Order Form must be processed. Please call

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HRA’s Purchasing Department with any questions you have at (323) 223-4091. Since only HRA’s Purchasing Department may change or cancel an existing Purchase Order, such cancellation must take place through HRA and not directly between the PI and the Vendor/Supplier;

23. **RETURN/REFUND POLICY:** HRA’s Purchasing Department will assist PIs and their Study Team with items that must be returned to a particular Vendor/Supplier as a courtesy. However, if the item was properly ordered by and delivered to HRA, restocking charges will most likely apply. Therefore, full refunds for returned items should not be expected. Any net refunds that are obtained for returned goods will be re-deposited into the appropriate Project Account. In the case of radioactive and/or hazardous materials, returning an item may cost more than the item that was originally purchased;
24. **INSUFFICIENT FUNDS:** In the event that there are insufficient funds in a PI’s Project Account, or their Residual Account; the Purchase Requisition will be returned to the PI. Accounts with insufficient funds can be overdrawn under the following circumstances:
  - With express written permission from HRA’s President & CEO;
  - For sales tax, shipping or handling charges;
  - If an invoice exceeds the Purchase Order amount by less than \$100;
25. **INDUSTRY-SPONSORED PROJECT EXPIRATION DATES:** All industry-sponsored clinical research projects have a built-in contractual expiration date, as well as an IRB approval expiration date. In order to ensure a speedy Project Close Out, Purchase Orders related to a project which is about to close may not be submitted within 30 days of the contract expiration date or the IRB approval expiration date without prior written approval from HRA’s President & CEO;
26. **STRICT PROJECT EXPIRATION DATES:** Purchasing Services freezes Purchase Orders 30 days prior to the termination date of a Strict Project Account. To ensure that purchases benefit the applicable contract or grant, Purchase Requisitions should not be submitted within the last 30 days of contract or grant expiration. If a good or service needs to be ordered within 30 days before contract or grant termination, it must be purchased with the understanding that the good or service will be received before termination of the budget period and that the purchase will directly benefit the project. Written justification explaining why the purchase or expense is necessary and how it directly benefits the project must be submitted to and approved by HRA’s President & CEO;

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27. **SUBCONTRACTORS MUST BE DISCLOSED:** In the event that a Vendor/Supplier to HRA wishes to subcontract a portion of their contracted work to another entity, this must be disclosed to HRA during the negotiation phase of any contract/agreement. For example, when purchasing a copier and an associated maintenance agreement from a copier Vendor/Supplier that subcontracts the maintenance portion of their agreement to another company, the copier Vendor/Supplier must disclose that a subcontracted Vendor/Supplier will be used for copier maintenance DURING the purchase negotiation process, prior to HRA placing a final order. HRA has the right to review and approve – or disapprove – any subcontractor for any reason;
28. **MINIMUM REQUIRED INVOICE CONTENT:** Each supplier-generated invoice must be itemized, and match the Purchase Order by price, supplier name and ordered items. HRA’s Accounts Payable Department only will pay Purchase Orders from an itemized invoice. All Vendor/Supplier invoices to HRA should be mailed directly to HRA’s Accounts Payable Department at 1640 Marengo Street, 7<sup>th</sup> Floor; Los Angeles, CA 90033-1075, or transmitted via e-mail. In order to ensure prompt payment, Vendors/Suppliers are provided with these requirements on the front page of the Purchase Order and should take great care to ensure that all of the following are contained within their invoice to HRA:
- a) **“SHIP TO” = STUDY TEAM AT THE RESEARCH LAB OR SITE & “BILL TO” = HRA (ADDRESS SHOWN ABOVE);**
  - b) **VENDOR ID NUMBER;**
  - c) **HRA’S PURCHASE ORDER NUMBER;**
  - d) **ITEMIZED ORDER DETAILS;**
  - e) **VENDOR/SUPPLIER NAME;**
  - f) **DATE OF INVOICE;**
  - g) **REMIT ADDRESS OF VENDOR/SUPPLIER and**
  - h) **DIRECT DEPOSIT INFORMATION.** Note: HRA has a strong preference for “ACH type” direct deposits of Vendor/Supplier payments whenever possible.

**NOTES ABOUT INVOICES:**

- ***BUSINESS USE ONLY: All invoices must include HRA business transactions only. HRA does not allow Purchase Requisitions to be used for personal purchases including part personal and part business purchases. The Accounts Payable Department does not***

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*conduct a reduction of expenses, whereby expenses incurred on the department's account are reduced by the amount an employee reimburses the department for personal expenses. Therefore, all invoices must include HRA business transactions only;*

- *STATEMENTS: A statement, in lieu of an invoice, can only be used for phone service, utilities and leases;*
- *COPIES AND FAXES: Whenever possible, the original invoice should be submitted for payment. When the original is not available, invoice copies or facsimiles will be accepted;*

29. **INVOICES WITH PRICE DISCREPANCIES:** If there is a discrepancy between the invoice and the Purchase Order amount due to miscalculation of shipping or handling charges or taxes, HRA's Accounts Payable Department will process payment for the correct amount and will not reject the invoice if the difference does not exceed \$100. For differences of more than \$100, HRA's Accounts Payable will contact the Vendor/Supplier and request that the Vendor/Supplier provide HRA's Accounts Payable with a corrected invoice.

**ADDITIONAL GUIDELINES:**

HRA's Purchasing Department shall coordinate its activities with all PIs by doing the following:

1. **HRA'S PURCHASING DEPARTMENT WILL STAY INFORMED ON RESEARCH NEEDS:** HRA's Purchasing Department will actively keep informed on the procurement needs of all HRA-related research activities;
2. **TO REDUCE PIs RESPONSIBILITIES:** HRA's Purchasing Department will strive to relieve PIs of the time involved in negotiating an effective procurement;
3. **DISSEMINATE INFORMATION:** HRA's Purchasing Department will disseminate information on new products and materials to PIs and/or their Project Teams, when such information may eventually result in more efficient business practices.

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**RESPONSIBILITY**

Accounts Payable Department  
Purchasing Department  
PIs and their Study Teams  
President & CEO  
Chief Financial Officer  
Finance Manager  
Staff Accountant

**REFERENCES**

Los Angeles County Code Section 265  
DHS Policy# 820 & 821  
USC's Materials Management Operational Procedures Manual