

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE ASSESSMENT OF  
UMMC'S CONTRACT COMPLIANCE

SEPTEMBER 26, 2014

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

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25 Years  
*and we're still*  
Counting!



MATTHEWS  
CUTRER *and*  
LINDSAY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the University of Mississippi Medical Center  
Jackson, Mississippi

We have performed the procedures enumerated below, which were agreed to by University of Mississippi Medical Center (UMMC), solely to assist you with evaluating UMMC's contracting process as of September 26, 2014. UMMC's management is responsible for the design and implementation of a legally sound and effective contract process. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **ENGAGEMENT**

We were engaged to perform the agreed-upon procedures engagement (RFP No. 1191) for the assessment of UMMC's contract compliance. Our testwork began on March 3, 2014, and was completed by September 26, 2014. This analysis included the pre- and post-contracting process, internal controls, financing, and regulatory compliance. We also have provided recommendations for improvements of UMMC's contract processes and internal/external policies which would be consistent with industry best practices.

We were engaged to review contracts executed during the period beginning July 1, 2009 and ending June 30, 2014. Our review consisted of:

- All contracts with expenditures exceeding \$250,000;
- All rental or lease contracts; and
- A sample of contracts with expenditures less than \$250,000 executed in the past two years (7/1/12 – 6/30/14).

Our procedures, findings and recommendations are found on pages 6-74.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on this process. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of University of Mississippi Medical Center and the Board of Trustees of the State Institutions of Higher Learning, and is not intended to be and should not be used by anyone other than those specified parties.

*Mathews, Cutler & Lindsay, P.A.*

September 26, 2014

## EXECUTIVE SUMMARY

The contracting process is critically important to enable smooth, efficient and cost-effective operations of the University of Mississippi Medical Center (UMMC). This contracting process impacts all of UMMC including the schools of medicine, dentistry, nursing, health related professions and graduate studies. In addition, the process is extremely important to the smooth operation of the general acute care teaching hospital, three specialty teaching hospitals, and the research center and inpatient rehabilitation facilities.

### Reporting Process

This report contains our findings and recommendations resulting from performing procedures that were agreed-upon with UMMC in connection with our engagement to review contract compliance. We were engaged to perform an analysis of UMMC's pre- and post-contracting processes. Our procedures included evaluating the contractual obligations, testing compliance with governing policies, and performing an analysis of the contracting process. Our findings result from the tests we performed. While subsequent changes are being made by UMMC, this document reports the conditions as we found them.

### Scope of the Engagement

Our engagement was to review contracts issued between July 1, 2009 and June 30, 2014. We examined all contracts exceeding \$250,000, all rental and lease contracts, and a sample of contracts with expenditures of less than \$250,000, executed during the last two years of the review period. We reviewed the pre- and post-contracting processes, performed tests of controls to evaluate effectiveness of the processes, and tested financial and regulatory compliance. In conjunction with our testing, we performed walk-throughs to test controls and systems in place. As part of our procedures, we held numerous meetings with UMMC personnel holding key roles in the contracting process.

### Current Status of the System

Throughout the engagement, we encountered difficulties in obtaining and tracking information through UMMC's systems. A majority of the contracts we examined were awarded before UMMC began to make changes in its contracting process. Our procedures were continually delayed by UMMC staff having to search across campus for old paper documents from a prior period when there was no central repository of contracts or supporting documentation.

## EXECUTIVE SUMMARY - CONTINUED

### Current Status of the System - Continued

UMMC's previous system, Cullinet Application Software (CAS), was phased out and replaced by Infor System (Lawson). Lawson is UMMC's finance and purchasing system which went live on July 1, 2011. Significant problems were encountered in determining the amounts spent on older contracts, especially if the contract was carried over from CAS to Lawson.

A lack of consistency in entering the contract name in Lawson made what should have been a simple search a difficult task. Furthermore, there was no easy method of obtaining vendor payment history. Approved spending limits, carried over from CAS, could not be relied upon. The purchasing department makes changes in the lines used to track spending in Lawson. Often, these changes were made without regard to the impact the change has on the maximum contract amount.

### Difficulties Encountered

After becoming proficient with the Lawson system, our staff incurred numerous hours pulling historical payment data needed to test for post-contract performance. There are a number of issues still present today that make accurate tracking a difficult task. We understand that these issues are being addressed with plans underway to implement a comprehensive contract management system in the spring of 2015.

### Recent Changes

UMMC is working to build a strong procurement process. Effective July 1, 2012, the Office of Contracts Administration began functioning. Improvements in the contracting process began occurring with the implementation of this office. The Office implemented SharePoint, a tracking software for contracts, which now serves as the electronic repository of all contracts and related documents. This Office assists departments and contract owners throughout the contract process. The staff has been educating contract owners and others on the procedures, regulations and guidelines that govern all purchases. They have drafted a formal procurement policy and procedures manual. Design and implementation of a comprehensive contracts management system has been a significant project since their inception.

The Office has been involved in all changes in the contract process. With the creation of the Office of Contracts Administration and other recent and proposed changes, it is expected that the effectiveness of UMMC's contracting process will steadily improve.

## ENGAGEMENT OVERVIEW

This engagement is solely to assist UMMC in evaluating its contracts process. We were engaged to review and analyze contracts beginning July 1, 2009 and ending June 30, 2014. During this period, we examined all contracts with expenditures greater than or equal to \$250,000, all rental or lease contracts, and a sample of contracts with expenditures less than \$250,000, executed during the last two years of the review period.

Our procedures included evaluating the contractual obligations, testing of compliance with governing policies, and conducting an analysis of the contracting process. We tested financial and regulatory compliance while reviewing applicable laws, regulations, policies, and procedures. The pre- and post-contracting processes were tested to evaluate the effectiveness of the contract process. We conducted interviews and meetings with UMMC leaders involved with the contract process. We also conducted walk-throughs to determine how departments are submitting a contract and the process the contract goes through until completion.

Once we completed the analysis of the contract process, we provided recommendations for improvements. Throughout our analysis of the contracts, UMMC has made and is continuing to make strides toward subsequent changes that should improve the contract process. While we found changes being made by UMMC, this document reports the conditions as we found them. The exhibits of this report are organized in a manner that allows the reader to determine if reported errors occurred before or after the Office of Contracts Administration was formed.

## PROCEDURES PERFORMED

We obtained an understanding of the contracting process, which started with the request to enter into a contract, procurement, review and approval, and execution, including analysis of payments made on the contract. We also obtained an understanding of the governing policies that UMMC is required to follow including Mississippi Department of Finance and Administration (DFA), Mississippi Department of Information Technology Services (ITS), the Board of Trustees of the State Institutions of Higher Learning (IHL), and applicable sections of Miss. Code Ann. (1972).

Once we gained an understanding of the contract process and documented the contract flow along with the required governing policies, we developed criteria for testing the contracts. We made inquiries of department personnel and others, and performed walk-throughs of the system along with the contracting process. This allowed us to understand the duties performed by each department in the contract process.

### Contract Process

The contract process begins with the identification of a need at the department level. Since 2013, each department has identified a requester and a submitter. The requester, generally a chief executive level, has authority to request a contract. The submitter, a department head, is charged with the responsibility for entering the contract into SharePoint for review. When a department decides it wants a certain good or service, they may contact the Value Analysis Department for assistance. The duties of the Value Analysis Department are to review the product requests and determine eligibility for group purchasing organization (GPO); products currently being used and costs to replace those products; costs involved, if needed; and the impact of the product and what other departments it will impact. Once this information is gathered and obtained by the requesting department, they are required to go through the proper procurement process based on the classification of the contract.

After the proper procurement is obtained and a vendor is selected, the requesting department negotiates business terms. If needed, the Office of Contracts Administration assists with negotiation. The contract is sent to the Office of Contracts Administration for review. Exhibit 1 is UMMC's contract routing/approval process. Once the review is completed and the vendor has agreed to the negotiated terms, the contract is then routed to the next step in the process. The next step of the process differs based on the type and amount of the contract.

UMMC is required to follow IHL Board policy regarding contracts. See Exhibit 18 for the IHL Board Policy 707.01.

If the contract falls within IHL Board policy thresholds, as stated in IHL Board Policy 707.01, a packet including the contract and other necessary documents is submitted to the IHL staff and Attorney General for review. If the contract does not require IHL Board approval, the contract is executed with the vendor and becomes binding with an authorized UMMC signature. Exhibits 2 and 3 are UMMC's contract process flowcharts for the IHL contract process and the non-IHL contract process, respectively.



## PROCEDURES PERFORMED – CONTINUED

### Contract Process - Continued

Once a contract has been approved and signed, if it involves a purchase, it is routed to the Purchasing Department and Data Management Team (if applicable) and given a purchase order (PO) number. The Purchasing Department enters the contract information and uploads the final contract into Lawson. The requesting department is notified of the PO number and set up of the contract. A copy of the final contract is sent to the vendor by The Office of Contracts Administration or the requestor along with the PO number for invoicing.

The Accounting Department receives the invoices from the vendors and enters them into Lawson. Each invoice is approved by the invoice approver before it is submitted for payment. Once submitted for payment, the Accounts Payable Department processes the payment.

### Testwork Performed

After obtaining an understanding of the contracting process and UMMC policies, we reviewed each contract and determined how it was processed from the beginning to the end. We determined if the procurement was properly performed by developing a set of criteria to be tested on each contract. This criteria included a review of the contract for the proper approval required.

This criteria was broken into two categories: pre-contract compliance and post-contract compliance.

- Pre-contract compliance criteria included examining the effective date of the contract, amount of the contract (IHL-approval amount if applicable), approval date (for IHL contracts), proper performance of the procurement process (with additional criteria for RFPs and bids), and Commissioner approval (if applicable).
- Post-contract compliance criteria included examining whether: the purchase price on the invoice(s) agreed with the contract; the purchases occurred during the contractual dates; the service/equipment was received prior to payment; the discount was properly received (if applicable); and the commitment was met (if applicable). Our criteria also included examining overspending of the contract and proper set up in Lawson (i.e., multiple POs, correct remaining balance, and correct maximum amounts).

We analyzed the contract and reviewed invoices and payments to determine if invoices followed the contract terms and conditions and if payments agreed with the items contracted for. For contracts that were negotiated with discounts, we reviewed invoices to determine if UMMC was paying the agreed-upon discounted price. For contracts with rebates, we inquired of the Accounting and Finance Department to verify receipt of the rebate.

## PROCEDURES PERFORMED – CONTINUED

### Testwork Performed - Continued

To identify contracts for our testwork, we relied on reports provided separately by IHL and the Supply Chain Data Management Department (extracted from CAS and Lawson). We combined the reports and pulled the contracts meeting the criteria in the agreed-upon procedures. Although we understand that additional contracts could exist, we determined this process was the best method to identify all contracts meeting the scope of our engagement.

### Sample Selection Methodology

In selecting the sample of contracts with expenditures less than \$250,000, we used our firm's standard methodology for tests of the operating effectiveness of controls. To that end, we followed the Practitioners Publishing Company (PPC) guidance on sample size selection for testing the effectiveness of controls. PPC provides the following table for determining sample size:

**Sampling Table Based on Population Size—90% confidence Level**

No. of Deviations	Control Risk Assessment & Population Size					
	Low (5–7% Tolerable Rate)			Moderate (8–10% Tolerable Rate)		
	< 100	100–200	> 200	< 100	100–200	> 200
0	30	35	40	20	22	25
1	45	50	60	30	35	40
2	65 <sup>a</sup>	75 <sup>a</sup>	90	45 <sup>a</sup>	50 <sup>a</sup>	60

We set our expected number of deviations (detected errors in the internal control process) at zero and our control risk assessment level at low. The specified contract population included 2,945 non-lease contracts issued between July 1, 2012 and June 30, 2014, with an expenditure of less than \$250,000. Of those, 737 were GPO purchases that we excluded from our population. We selected our sample from the remaining 2,208. Based on the above table, we selected a random sample of 40 items. Our sample consisted of 18 service contracts, 13 commodities contracts, and 9 technology contracts. The result of our sample testing is included in the Findings and Recommendations section, if applicable.

### Contract Walk-Throughs

In understanding the process we walked through various contracts from beginning to end. We obtained an understanding of the pre-contract procurement process, whether a RFP, bid or sole source was performed, and how UMMC selected the vendor.

## PROCEDURES PERFORMED - CONTINUED

### Contract Walk-Throughs - Continued

We reviewed the IHL Board submitted packet, understanding the documents required, along with the approval received from the IHL Board. We walked through the post-contracting process analyzing the invoices comparing them to the contract and ensuring it agreed to the negotiations. We were able to identify issues in the pre- and post-contracting process.

Throughout our process, information was needed from departments across UMMC. In performing our testwork, numerous requests for information were submitted to the departments to enable us to perform our procedures. As part of the contract walk-throughs, we randomly selected a contract to fully discuss with the requesting department. We wanted an understanding of the duties the requesting department performed.

We met with Mr. Philip Grady, Administrator of Support Services. Mr. Grady reports to the Adult Hospital Department and is responsible for several other departments. We discussed the contract process involved with UMMC's housekeeping services. We selected the contract with Hospital Housekeeping Services (HHS), effective May 1, 2010 through April 30, 2013.

From our discussions, UMMC had three housekeeping services and University Physicians had two different housekeeping services. Mr. Grady decided that a RFP was needed to have one vendor perform the housekeeping service. While the RFP was underway, HHS agreed to go on a month-to-month service basis, effective May 1, 2013 through December 31, 2013, and continue until an agreement was reached in the bidding process.

HHS did resubmit a bid for the new RFP along with ABM Healthcare. The bid was awarded to ABM Healthcare, effective December 29, 2013 through December 28, 2018. The ABM Healthcare contract completed the contract process and obtained the proper approval.

### Governing Policies

UMMC is subject to some of the regulations of the Mississippi Department of Finance and Administration (DFA), MS Department of Information Technology Services (ITS), Mississippi Institute of Higher Learning (IHL), along with state and federal laws.

The first step in developing a contract is the procurement method. Contracts must follow certain procurement requirements, as provided by DFA, ITS, IHL, and UMMC. Exhibit 4 is a recap provided by the Office of Contracts Administration of the procurement requirements that UMMC is subject to, based on these various governing policies.

## PROCEDURES PERFORMED - CONTINUED

### Governing Policies - Continued

Miss. Code Ann. (1972), § 37-115-31, gives UMMC teaching hospital the “power necessary to enter into group purchasing arrangements as deemed reasonable and necessary”. Thus, UMMC is contracted with three (3) GPOs allowing it to purchase from vendors affiliated with the GPO without obtaining a contract for the products or services. The GPO handles the bidding process and allows UMMC to receive better prices.

We have included pertinent governing policies in the Exhibits to this report.

### Interviews Conducted

Interviews of UMMC personnel and others were a critical part of how we obtained an understanding of various department roles in the contracting process. We also sought input on issues and concerns from the department personnel regarding the current processes.

The following represents significant items from interviews that we wish to highlight and was used in developing our findings and recommendations.

#### Office of Contracts Administration

We met with Ms. Stacy Baldwin and Ms. Sally O’Callahan, Director and Associate Director, respectively, of the Office of Contracts Administration.

The Office of Contracts Administration was created in 2010 to help centralize and manage contracts, and ensure compliance with purchasing and IHL regulations. We understand that this department was created to stem overspending of contracts, minimize expiration of necessary contracts, and help ensure that UMMC is getting the goods, services, equipment, and commodities that are being paid for. This department helps administrators with contracting for goods and services and serves as the repository for all executed contracts. This office assists departments in the post-contract monitoring process by notifying the departments of contract expiration dates four to six months in advance. This office provides assistance to help keep departments on track with its contract renewals.

In June of 2012, the Vice Chancellor appointed the Associate Vice Chancellor for Health Affairs to lead a Task Force that would facilitate changes to the contract process. The core group chosen to analyze the process on behalf of the Task Force specifically included individuals from UMMC’s Finance Department and Department of Information Systems. The charge of the Task Force included, but was not limited to, identifying the pathways for contracts, management of contracts to the fullest extent within the Lawson system, utilizing

## PROCEDURES PERFORMED - CONTINUED

### Interviews Conducted - Continued

#### Office of Contracts Administration - Continued

its existing PO capabilities, defining authorized requestors and submitters of contracts, identifying a contracts management system, and education of requesters/submitters institution wide.

Ms. Baldwin transitioned into the Office of Contracts Administration in February 2012. She trains staff on the contract process and applicable regulations. Based on discussions with Ms. Baldwin, the Office of Contracts Administration is considered to have been fully functioning as of July 2012. Some of the challenges facing the Office of Contracts Administration involve getting departments to follow the proper policies, take responsibility for its contracts, and properly plan for the bidding limits set by the legislature. UMMC is subject to bid requirements on purchases, if the item is not previously authorized as part of a GPO arrangement or is noted sole sourced.

During our interview, Ms. Baldwin stated there is not presently a contracts management system. There needs to be a contracts management system in place to help monitor contracts that interact with the Lawson system. However, Lawson has been set up similar to CAS. Many issues in this previous system have been carried forward into the Lawson system, which continue to make it difficult to monitor contracts.

The Office of Contracts Administration implemented the software SharePoint to allow departments to electronically submit proposed contracts for review. ShareVis is an electronic contract repository and routing software. This provides UMMC personnel with electronic access to contracts. Departments are able to see the current status of proposed contracts and determine the stage of review.

Since formation, the Office of Contracts Administration has assisted in negotiating the terms and conditions of contracts with potential vendors. The number of contracts negotiated by this office has steadily grown. However, some contracts are still negotiated by the departments and should continue.

Presently, the Office of Contracts Administration reports to UMMC's General Counsel/Chief Legal Officer, Mr. Jeffrey Walker. This arrangement provides the Office of Contracts Administration with separation from UMMC's Supply Chain Management and main purchasing functions. We view this separation as beneficial to the process.

#### Compliance Department

We met with Ms. Carol Denton, Chief Integrity/Compliance Officer, and discussed the role of the Compliance Department. Contracts are sent to the Compliance Department

## PROCEDURES PERFORMED - CONTINUED

### Interviews Conducted - Continued

#### Compliance Department - Continued

for issues dealing with STARK (physician referral regulations), anti-kickbacks, GSAR exclusions, non-disclosure, and HIPAA compliance. They identify any federal issue that the contract might contain. The department uses a checklist for complex contracts to ensure that all areas are covered in the contract review.

When a contract is reviewed, changes are given to the Office of Contracts Administration, the vendor, and requestor for agreement and finalization. The department strives for a 3-day turnaround, but the vendor or requesting department can cause turnaround to linger with slow responses.

#### Legal Department

We met with Ms. Stephanie Jones, Associate General Counsel, and discussed the Legal Department's role during the contract process. Ms. Jones came to UMMC in 2012 after having worked as Assistant Attorney General assigned to IHL. She helps facilitate the review of contracts for legal issues.

Contracts submitted for review are sent to the Compliance Department and then to the Legal Department, or directly to the Legal Department if there is no need for a compliance review. The Legal Department reviews contracts only for compliance with IHL Board policies and state laws.

UMMC uses the vendor's contracts with either an addendum or, for larger vendors, a modification to include UMMC regulations. Most large vendors will not accept a UMMC contract but will add modifications UMMC is required to follow.

For smaller vendors, for independent services, a template is used and changes are worked into the contract. The Legal Department does not track contracts once they have left the department; however, they use an internal tracking software, Bridgeway or E-Counsel, for department purposes only.

During the interview, a few concerns were discussed, such as:

- departments' knowledge of purchasing rules;
- failure to use GPO for certain items; and
- repeated purchase of individual items under the threshold to avoid bidding requirements.

## PROCEDURES PERFORMED - CONTINUED

### Interviews Conducted - Continued

#### Value Analysis Department

We conducted an interview with Ms. Jennifer Douglas, Director of Value Analysis, and Ms. Sarah Stewart, Clinical Analyst, Supply Chain Management. The Value Analysis Department exists to uphold the Supply Chain Management mission on the identification of waste, redundancy, and inefficiency, within UMMC and instigates cost-savings options. We discussed the roles the departments fulfill, along with difficulties encountered in the contracting process.

The Value Analysis Department reviews product requests. When analyzing products, it checks to determine if the items can be purchased from the GPO, if a contract is needed, or if a similar item is already on contract and the applicable costs. The Value Analysis Department also looks at whether other departments may be purchasing the same item. It provides departments with a financial analysis of the product and a global review. This process takes about 2 weeks on average to be completed. One of the benefits provided by this department is in identifying the high dollar savings involved with certain products.

Ms. Stewart is the holder of the “item master” in Lawson. The item master listing in an inventory of all items approved by UMMC for purchasing. Once products are approved for purchasing, she has sole authority to enter the item into the system. She works with the Office of Contracts Administration to facilitate any changes needed.

We understand the purchasing process has no requirement for purchases to begin in the Value Analysis Department. Once the Value Analysis Department provides data to a department, its involvement with the contracting process appears to be complete. There is no requirement that its work product accompany the request all the way through the system. A review by the Value Analysis Department is a control step that should become a required part of UMMC’s purchasing procedure. UMMC will benefit from cost savings by establishing a pre-contract review process which requires review by the Value Analysis Department.

As in a number of interviews, it was pointed out that departments may not fully understand the purchasing and procurement regulations. The Value Analysis Department should lead and manage the processes for obtaining supplies and services at the lowest total delivered cost. This department can assist in obtaining optimal pricing, standardization, and utilization of supplies, services, and processes.

#### Purchasing Department

We conducted interviews with Mr. Steven Niemeyer, Director of Purchasing; Ms. Katie Bryant, Associate Director of Purchasing; and Ms. Lalainya Williamson, Purchasing



## PROCEDURES PERFORMED - CONTINUED

### Interviews Conducted - Continued

#### Purchasing Department - Continued

Department Buyer. We discussed the roles of the Purchasing Department in the contracting process.

The Purchasing Department acquires the supplies, equipment, and services requested. Buyers and managers perform this duty. If the cost of a product is under the required threshold, departments send requests to the Purchasing Department. A purchase order (PO) is issued. However, contract purchases that have been approved are given to the data team where they enter the contract information into Lawson and a PO is assigned.

Contract information includes the vendor, agreement administrator, contract period, total maximum amount approved, and any other vital contract information. Once the information is entered, purchases are posted against the contract price, reducing the amount available to spend. Commodities and equipment purchases are set up in the Lawson module PO20 (Purchase Order Entry) and service contracts are entered in Lawson module PO25 (Vendor Agreements).

Each contract is now assigned a unique PO number. Older contracts may have multiple PO numbers. Recently, a change was implemented whereby newer contracts have one PO number. This change has made it easier to monitor spending on contracts. With contracts having multiple PO numbers, it is difficult to pull data needed for old contracts. Tracking of spending data is further complicated by the fact that some older contracts remain in the previous CAS system.

#### Accounts Payable Department

We held several meetings with Ms. Barbara Merry, Director of Accounts Payable. We discussed how the Accounts Payable Department is impacted by contract processing. We also discussed her concerns with the process.

The Accounts Payable Department staff work to resolve problems that arise, monitor vendor files for tax reporting liability and other vendor-related matters, and offer assistance and direction to UMMC personnel on matters concerning accounts payable. The staff runs reports on a daily basis scanning for delinquent accounts or accounts approaching payment due dates. They enter and scan invoices into Lawson and record credit memos.

The Accounts Payable Department uses a 3-way matching system for commodity purchases. The PO is matched to the receipt, and then to the invoice. If these three items match, Lawson is programmed to automatically prepare a check. When goods are received, departments are required to check the receipt against the delivery slip. This ensures that proper payment is made.



## PROCEDURES PERFORMED - CONTINUED

### Interviews Conducted - Continued

#### Accounts Payable Department - Continued

Invoices are approved by the contract administrator assigned to the contract. Once reviewed and approved, invoices are then submitted to the Accounts Payable Department for payment processing. We noted in an interview with Ms. Merry that the Accounts Payable Department uses contract lines to allow payments under the approved contract amount.

Payments are processed using line coding set up in Lawson module PO25 to validate invoices against contract terms. The lines are intended to match the details of the invoice provided by the vendor, although they may not match the level of detail in the contract. Per Ms. Merry, lines are used to monitor what the Accounts Payable Department is authorized to pay.

Further, Ms. Merry stated that delays are caused when the contract lines, set up in the payable system, do not match the lines submitted on the vendor's invoice. The Accounts Payable Department has to go back to the contract administrator to determine what line changes need to be made to conform to the contract. This verification can cause delays when a department fails to respond promptly to these inquiries.

The Accounts Payable Department encounters difficulties when a contract or item is not loaded, or is not loaded properly, into Lawson. Difficulties also occur when a "special" is added. A "special" is an item that is not in the item master but has been added using "free text". If the Accounts Payable Department encounters either of these, payment processing can be delayed. The controls over payments for purchases can be strengthened by elimination of the use of specials and ensuring items are properly loaded into Lawson.

Based on our discussion with Ms. Merry, this department often has difficulty determining the approver assigned to a PO. There is no clear, central point of reference from which the department can identify the UMMC personnel assigned as an approver. This is a burden to the department when problems arise and in the past has caused delay in processing.

Ms. Merry's department frequently encounters delays in processing invoices when UMMC departments do not approve and return invoices to the Accounts Payable Department in a timely manner.

## PROCEDURES PERFORMED - CONTINUED

### Interviews Conducted - Continued

#### Department of Information Systems (DIS)

We interviewed Mr. Terrence Hibbert, Director – IT Solution Strategies; Mr. Brad Barnett, Manager of Business Applications Development; and Ms. Barbara Inman, Manager of IT Vendor Management, and discussed the contract system that is in place.

As previously described, DIS created SharePoint, an electronic contract repository and tracking software, to provide UMMC personnel with electronic access to the status of contracts as they move through the review stage. DIS manages Lawson.

Ms. Inman manages IT contracts by reviewing what products are needed, determining qualified vendors, and reducing the number of product purchases to once per year. DIS reviews and negotiates its own contracts.

DIS is critical to the support and operation of Lawson. DIS works with Supply Chain Management along with the Office of Contracts Management to ensure that the contract function of Lawson is properly implemented from a technical standpoint. They resolve any issues deemed necessary to enable the proper functionality.

All contracts involving IT are governed by the Mississippi Department of Information Technology Services (ITS). The DIS is required to follow ITS regulations. ITS approves all contracts and at times negotiates these contracts on behalf of UMMC. Technology contracts are approved by ITS before they are taken to IHL for approval.

#### Data Management Department

An interview was conducted with Mr. Derick Washer, Manager of Data Management, a division of Supply Chain Management. Mr. Washer discussed the frequent problems encountered by the use of “specials” in the computer system. When an employee cannot locate a specific item, (s)he may “free text” the name of the item as an additional inventory item.

This ability to add items often results in inaccurate cost or pricing data. UMMC has a high number of “specials” due to constraints caused by character limitations in the Lawson system.

Items on contract are entered into the item master. Products should be selected from the item master so they are linked to the approved contracts. When the item is not located, it will often be ordered as a “special.” These “specials” should be reviewed by the Purchasing Department and linked to an approved contract or other approved purchasing method. It is important that UMMC limit the use of “specials” as these

## PROCEDURES PERFORMED - CONTINUED

### Interviews Conducted – Continued

#### Data Management Department - Continued

products may be purchased without going through proper procurement procedures. Stronger controls should be implemented that limit and require approval be obtained for any “specials”.

#### State Institutions of Higher Learning (IHL)

During the course of the project, we met with Mr. John Pearce, IHL Associate Commissioner for Finance and Administration, and Mr. Van Gillespie, Assistant Commissioner for Legal Affairs. Mr. Gillespie receives requests for contract approval from UMMC and works with members of the IHL legal staff and the Attorney General's staff who are assigned to review contracts and agreements executed by the Commissioner and the IHL Board.

A meeting was held to obtain a better understanding of issues IHL encounters with legal review of UMMC contracts. To help us understand the magnitude of the problems encountered, Mr. Gillespie prepared a list of contracts that were received from December 2012 through August 2014.

This list contained contracts and agreements in which errors were identified in the following three areas:

- Illegal Provisions - Contracts received from UMMC and reviewed by IHL Legal Affairs staff often contained clauses in direct conflict with state law or IHL policy. Some of the erroneous provisions included clauses limiting the liability of the contractor, requiring that the state indemnify the contractor and requiring that insurance be provided.
- Poor Contract Drafting - The contracts submitted to IHL are expected to be ready for approval as submitted. However, a listing of poorly written clauses was provided. Some of the more frequently recurring errors included:
  - conflicting or inconsistent terms/clauses/dates in contract;
  - typographical errors; need for additional or change in words;
  - vague/unclear contract clauses; unnecessary language;
  - failure to include attachments and exhibits to the proposed contract;
  - inconsistencies between contract language and submitted write-up; and
  - additional contract language or additional information needed; contract language revision needed.

## PROCEDURES PERFORMED - CONTINUED

### Interviews Conducted - Continued

#### State Institutions of Higher Learning (IHL) - Continued

- Non-Compliance with Procurement Requirements – Expecting contracts to be complete and ready for execution, IHL has received contracts that are contingent on approval from ITS, DFA or the Secretary of State (SOS). These contingencies delay the approval of the contract until all information is complete.

We consistently heard complaints about the length of time it takes for a contract to move through the process, especially those contracts which require IHL approval. The items listed above not only slow down the process but also require additional effort on the part of all involved. This final review, prior to IHL Board approval, can move faster by eliminating these and other errors earlier in the process. This should minimize passing contracts back and forth.

#### Optimé Supply Chain, Inc. (Consultant)

In early 2014, UMMC engaged Optimé Supply Chain, Inc. as a consultant to perform a contract process review and procurement assessment. Its charge was to review the contract procurement process from realization of need to finalization of contract issuance. As part of their engagement, they looked at UMMC's practices in comparison to best practices in place at other leading medical centers and universities.

Their report was presented to UMMC personnel on August 26, 2014. We held several telephone interviews with Mr. Michael Neely, the primary consultant contact with UMMC. Their report contained several recommendations that we consider to be consistent with our recommendations. As part of the report, Mr. Neely provided survey data he obtained from five similar Universities. His survey collected data covering a number of issues, including bid and approval processes, required levels of expenditure authorization, and contract management processes in place at those institutions.

## GENERAL OBSERVATIONS AND RECOMMENDATIONS

### Procurement Policy and Procedure Manual

We noted during our review of processes and procedures that UMMC does not have a formal procurement policy and procedures manual. Ms. Baldwin provided us with the draft she submitted to the Task Force on October 23, 2013. However, as of the date of this report, this manual has not been adopted by UMMC. The document provides great detail on the state procurement regulations along with the applicable regulations by the other governing agencies.

We recommend UMMC formally adopt a comprehensive procurement policy. Having this policy in place and available to UMMC personnel is considered “best practice” that should strengthen controls over this process.

### UMMC's Response

UMMC is reviewing and revising the procurement policy that was proposed in October 2013. In addition to the procurement policy, UMMC has been improving Supply Chain procedures. Specifically, UMMC has developed a Strategic Sourcing group within Supply Chain to better assist all organizations, especially the clinical areas, in finding opportunities for savings through product standardization and cost-based market analysis. The strategic sourcing group also will assist the departments in selecting a compliant procurement method (GPO or public bid) that provides best pricing. Compliance with procurement laws should also be enhanced as departments will have additional resources to guide them through the proper procurement steps.

Strategic Sourcing will report to a UMMC steering committee the savings realized through this work. Contracts Administration is assisting the Strategic Sourcing staff by functioning as a support to their various teams and helping to advise on compliant procurement. The Office of General Counsel will also be available for assistance.

### Lawson System Utilization

During our review, we noted issues with the setup of contracts in Lawson and encountered numerous contracts that were not set up correctly. When entered into Lawson, some effective dates and maximum amounts did not agree with the contract amount or the amount approved by the IHL Board.

When contracts are entered into Lawson, lines are created based on the details of the invoice provided by the vendor. With constant changes in the lines, the maximum contract amount changes with no control in place to assure accuracy. When this occurs, the system reports incorrect contract maximum amounts authorized. Often, this was cited as a reason for overspending of the approved contract amounts.

## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Lawson System Utilization – Continued

We also noticed that unspent balances carried over from CAS were not properly transferred to Lawson. This resulted in contract “remaining balance” being incorrect. Again, this error was often cited as a reason for overspending of the approved contracts.

There is no uniform manner in which contract names are entered into Lawson. When searching for a specific contract, the contract is not always found. During our review, we had to conduct numerous searches to find the contract we were looking for. We found some contracts that were entered several ways (e.g. Jackson Medical Mall, JMM, Jxn Medical Mall, IHL/JMM). This resulted in a system that was not user-friendly and often provided inaccurate data.

Lawson has various modules that are used by UMMC. Lawson module PO20 is the module used for purchases of commodities or equipment. When a contract contains these types of purchases, they should be linked to a contract header that is set up in the Lawson module PO25. This contract header has the vital information for tracking a contract. The proper headers allow purchases to be applied to the proper contract.

When purchases were not tagged against the contract or a contract was not properly set up, inaccurate spend data resulted. This was often cited as a cause of overspending on contracts, and made pulling accurate contract expenditure amounts a time-consuming process.

We observed several instances in which contracts and other vital information were not uploaded into Lawson. Prior to Lawson implementation, contracts were stored in the departments across campus. With implementation of Lawson, all contracts are expected to be input into Lawson. However, we encountered new contracts that were not available in Lawson. We had to request a copy of these agreements, although we expected all current contracts to already be uploaded into Lawson.

We recommend properly entering contracts into Lawson with the name, dates, and maximum amounts that agree with the approved contract credentials. We also recommend that the lines set up for each contract be evaluated. Setting up the lines to match the invoice is not the most effective method; however, setting up the lines on a fiscal year basis or another basis similar to the contract would reduce the number of changes being made. It was brought to our attention that closing the lines, rather than deleting them, allowed additional lines to be added without altering the “maximum amount.” We recommend using the close feature when changes are made.

For contracts that have been moved over from CAS, we recommend evaluating only current active contracts and correcting the “maximum amount” so that the “remaining balance” is an accurate number and can be relied upon to control overspending of the contract amount.

## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Lawson System Utilization – Continued

We recommend that contracts be named uniformly in Lawson to ensure that an easy search is available.

We also recommend that every contract be set up in the Lawson module PO25 until the contract management system is implemented, even if the only purchases that are required from that contract are commodities or equipment. All purchases should be applied to the contract to track the amount that is spent against the approved contract.

We recommend that all contracts be loaded into Lawson under the assigned PO number. Having the contract available electronically is one of the capabilities that Lawson provides and should be fully utilized.

Controls over the entry of data or changes to data in Lawson need to be carefully reviewed. Limiting the number of individuals who can make changes to contract data will strengthen this system. Strong controls should minimize the many errors found as a result of the weak system in place.

### UMMC's Response

#### i. Overview of Current System

UMMC's financial system, Lawson, went live in June 2011. Lawson includes an enterprise suite of modules from Supply Chain (e.g., purchasing, materials management) to Accounts Payable. At this time, the primary module utilized to facilitate contract payments is the Purchase Order 25 (PO25) application. This application allows basic contract information (e.g. vendor name/maximum spend amount) to be entered into Lawson for the generation of a purchase order (PO). PO25 had been used only for service contracts, while commodity purchases, including those governed by a contract, were paid through the Purchase Order 20 (PO20) application, which allows a purchase order (PO) to be generated, but does not apply that expense to any related contract.

#### ii. Corrective Measures

Since 2011, UMMC has uncovered inconsistencies with data in Lawson, including errors in data that were transferred from our previous financial system and data entry errors for contracts UMMC executed after implementation of Lawson. Contracts Administration has worked with Supply Chain and Accounts Payable, to resolve these issues. A few of the steps taken include:



## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Lawson System Utilization - Continued

#### UMMC's Response - Continued

##### **a. Elimination of Paper Requisitions**

The use of paper requisitions for contracts was eliminated by creating a method for departments to utilize the contract electronic routing system to properly complete the needed data for the creation of a PO. This electronic method requires departments to complete necessary information before the system will allow the departments to move a contract forward for review. This helps to ensure that all information needed to create a PO is received and has increased the accuracy of the information. Increasing the accuracy of the information has allowed UMMC to utilize some of Lawson's additional capabilities such as notice regarding a designated percentage of spend of the authorized contract amount. When the Lawson system detects that spend has reached this percentage of spend, an alert is sent to Contracts Administration, which in turn sends the alert to the relevant institutional department. Such steps allow departments to take appropriate action in time to avoid any overspend.

##### **b. Checks and Balances**

Centralization of contract review has enabled UMMC to improve the accuracy of data that is input into Lawson, to include accurate vendor and contract names, maximum spend amounts, effective dates and review dates. The information that is entered into the electronic system is verified by Contracts Administration at the point of execution of the agreement and before Supply Chain is allowed to complete a PO. This ensures that, if changes to the contract which occurred during the review and negotiation stage necessitate changes to the data that will be used to create a PO, the information will be changed accordingly. (However, as noted previously, the responsibility for PO creation will soon be shifting to the Contracts Administration department.)

After PO generation, Contracts Administration is also responsible for ensuring that the contract documents are properly uploaded into Lawson. In addition, the electronic routing system stores contracts to ensure that there is a centralized repository for documentation supporting completed contract files.



## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Lawson System Utilization - Continued

#### UMMC's Response - Continued

##### c. PO25 Header

As discussed above, prior to 2013, the purchase of commodities governed by a contract was not applied to the contract's associated PO, as the information related to the commodity was not loaded into PO25. Contracts Administration has worked with Supply Chain to increase the use of the PO25 application for commodity contracts. The utilization of PO25 has allowed UMMC to connect the order of commodities to their governing contracts.

### Contract Owner Responsibility

We encountered problems that were a direct result of contract owners not carefully monitoring their contracts. Further, we consistently saw evidence that contract owners were not being held accountable for their contracts. Often, contract owners are not aware of overspending or that a contract is expired or close to expiration. Many times they are late starting the process of getting a new contract in place. Presently, there is no Contract Monitoring Software to track and provide advance notice of renewal dates.

A system should be built where contract owners are held responsible for their contracts. UMMC needs to fully implement the proposed monitoring software and provide the contract owner with reliable data. With better tools available, the contract owner should be in a position to take responsibility and be held accountable for overspending and timely renewals. Putting this responsibility back on the contract owner will help improve the monitoring of contracts.

#### UMMC's Response

The ability of dispersed personnel to initiate contracts on behalf of the institution was identified by UMMC as a weakness in its then-current process. In an effort to bolster accountability, UMMC has limited and otherwise defined people within the institution who would be allowed to request that UMMC execute agreements. The individuals identified for this role include executives within the institution, such as the Associate Vice Chancellors, Deans, clinical department chairs, Chief Executive Officers and Chief Financial Officers.

This role has been designated as the contract "requestor." Requestors are high-level institutional officials who, due to other responsibilities, must delegate the data entry and processing functions. UMMC permits these requestors to nominate members of their staff to submit contracts on their behalf. These staff members, known as contract "submitters," are also required to hold a level of authority within the institution. Submitters include

## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Contract Owner Responsibility - Continued

#### UMMC's Response - Continued

administrators, directors and others who have budget authority and responsibility for decision making in regards to commodity/service needs. Both the requestors and submitters are aware, and continuously reminded, of the responsibility they hold with respect to contracts.

Through the implementation of its Signature Authority for Contracts policy, UMMC has limited execution authority to a select group of individuals, primarily the Vice Chancellor and Associate Vice Chancellor for Health Affairs. Only contracts that have been routed through Contracts Administration and are transmitted by the Office of General Counsel are executed.

Narrowing these responsibilities and authority to a limited number of individuals within the institution has increased accountability and fostered a culture of responsibility within the institution. Consistent messaging from the Vice Chancellor's Office, Office of General Counsel, Office of Integrity and Compliance, and Contracts Administration serves to reinforce the accountability and responsibility of the contract requestors/submitters.

There is not a contracts management system in place at UMMC. Currently, UMMC is using Lawson financial systems as best it can to help monitor contracts, but as previously mentioned, the system is limited due to the way it was set up. Infor (Lawson) provides a contract management system, which UMMC purchased in 2008, but did not implement. Over the past year, UMMC has looked at various contract management systems. They have decided to move forward with the implementation of the Infor (Lawson) contracts management system.

The proposed contract management system will interface with Lawson and provide the ability to monitor contracts and communicate with contract owners on upcoming expirations. The Office of Contracts Administration has informed us that it is implementing the Infor (Lawson) contracts module and is tentatively scheduled to go live in the spring of 2015. At that time all ongoing IHL contracts (previously approved) will be put into the new system. All other agreements will be loaded as they are executed by UMMC. It is believed that loading all ongoing non-IHL approved agreements would be cost prohibitive for UMMC.

In order for the contract management system to function properly and provide the information needed, the setup of the contract in Lawson has to be correct. The contract effective dates, maximum amounts, and any other vital information should be corrected prior to importing. The proposed plan is to enter the IHL contracts first. Any system problems will be worked out prior to adoption for all contracts. Full implementation of the contract management system is key to strengthening the controls over contracts. Initial training on the new system is underway. Full implementation should be a priority and

## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Contract Owner Responsibility - Continued

#### UMMC's Response – Continued

completed as soon as possible. Furthermore, once implemented, we recommend that the Office of Contracts Administration control the entry of all agreements into the contracts module going forward.

Post contract administration is an integral part of ensuring that UMMC has an effective contract process. It is important to confirm that UMMC obtains the commodities and services for which it has contracted. Although UMMC has made great strides in improving processes insofar as Lawson is concerned, as discussed above, the capability of the current Lawson system to support post-contract administration is limited.

In 2012, UMMC began the process of selecting an electronic contracts management system. A list of the requirements of such a system was compiled. UMMC reviewed different systems, including the Lawson Contracts Management (LCM) module, which UMMC purchased in 2008 as part of the Lawson system purchase, but which had not been installed and implemented. After a year of evaluation, UMMC made a decision to proceed with installation and implementation of the already owned LCM module, rather than solicit formal proposals for a new contracts management system that would ultimately need to interface with Lawson for integrated system efficiencies.

The selection of LCM was made for various reasons, including its capability to monitor rebates, discounts and pricing, as well as the previously mentioned interface issue.

Implementation of LCM is underway and go-live is scheduled for the spring of 2015. Decisions regarding the input of contracts into LCM have already been made. These include vesting the control of the system in Contracts Administration. At go-live, UMMC will enter into LCM all ongoing IHL contracts. New contracts will be entered into LCM as they are executed. Thereafter, Contracts Administration will identify additional existing contracts to move into LCM. This phased entry of contracts into LCM is necessary due to the extraordinary number of ongoing contracts, as well as the time, manpower, and cost involved with entering all existing contracts

### Rebates

There is no clear process to ensure that rebates, which are negotiated into contracts, are received. We observed that rebates are received mainly by Accounts Payable Department and occasionally the contract owner. Normally they are sent to Supply Chain Management for verification. However, we found that no one is assigned to track receipt of rebates.

## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Rebates - Continued

We recommend UMMC implement a process of tracking the receipt of the rebate negotiated in the contract. We understand that contract owners do not have the capabilities to make sure UMMC receives the rebate, but we recommend they alert the assigned department when UMMC qualifies for a rebate.

The new Contracts Management System will have the capability to track rebates. This should be fully utilized by UMMC. Utilizing this option will provide UMMC with the ability to monitor contracts that contain rebates. Regular reports should be generated showing contracts with rebates.

Because this is a revenue item, we recommend personnel in Accounting and Finance be assigned the task of monitoring rebates and reporting on this every month. This employee should receive the regular reports out of the contracts management system and reconcile them to accounting records of rebates received. This employee should work with a liaison in the Office of Contracts Administration to ensure that all rebates are identified when a contract is executed.

### UMMC's Response

As a high volume purchaser of products and services, UMMC benefits from rebate opportunities afforded by its vendors. These rebates are structured in various ways including receipt of rebates through invoice credits and paper checks.

Although UMMC has an extensive accounts receivable process for patient billing and grants, UMMC currently utilizes a manual process for rebates. The current process requires departments receiving rebates through paper checks to forward the check to Supply Chain which then matches and verifies the rebate against the correct purchase order and/or contract. The paper check is then submitted to Hospital Finance for appropriate handling; however, no dedicated person in finance is responsible for that function. Rebates received as invoice credits are processed by Accounts Payable after receiving verification from Supply Chain to apply it to the PO.

The implementation of LCM will centralize the monitoring of rebates regardless of structure. This will allow UMMC to track expected rebates, monitor rebate receipt by invoice credits or paper checks, and electronically post those to LCM. In addition, UMMC is restructuring the manual processes of rebate receipt, to identify specific individuals responsible for receipt and processing of paper checks.

### Department of Information Technology (DIS)

DIS has a contracts group that facilitates the processing of IT contracts and submits them to the Office of Contracts Administration for final review and submission to the IHL Board.

## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Department of Information Technology (DIS) - Continued

This applies to any contract that is not negotiated by ITS. In September 2013, in an effort to speed up the process, the Task Force recommended that DIS review the IT agreements and forward them directly to the Legal Department.

Subsequently, the DIS contracts group was placed under the Office of Contracts Administration. The DIS contracts group (4 reviewers in total) were transferred to the Office of Contracts Administration in December 2013. For the larger enterprise IT agreements (e.g. Lawson, Epic, and Microsoft), DIS created a vendor management team. The vendor management team works with ITS on a routinely basis and coordinates the submission requests for CP-1s, RFP requests, and bids to ITS.

We understand the specific software and IT needs have been given back to the requesting departments. The team is to assist the requesting department in purchasing appropriate software/hardware and once purchased, the requesting departments would own/pay for the resulting contracts. This represents a reversal from how the previous IT contracts were handled.

To strengthen the internal controls, we recommend the activities of the vendor management group be analyzed and also ensure they are properly placed within UMMC structure. Also, a careful review of the DIS pre-contract procedures would ensure they are properly performed.

### UMMC's Response

Prior to the creation of Contracts Administration, DIS employed a group of individuals who were tasked with responsibility over information technology (IT) contracts. In late 2013, UMMC consolidated that group into Contracts Administration. However, a vendor management group was created within DIS to assist departments in vendor selection through proper procurement, specific to the separate regulatory framework in existence for IT purchasing. At present, the vendor management group is being evaluated to ensure that location within DIS is appropriate and that this function lends value to the contract process.

### Expenditure Authority

Due to the high cost of items utilized in the hospital, we repeatedly heard comments requesting that the level of non-IHL expenditure authority over hospital purchases be raised. Currently, the non-IHL expenditure authority is set at \$250,000. Any contract in excess of this requires approval from the IHL Board to enter into the contract with the vendor. The Optime' Supply Chain's report contained data gathered from other similar state institutions that have adopted higher expenditure authority for hospital purchases.

## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Expenditure Authority - Continued

As UMMC's contract process develops into a reliable system, UMMC should work with the IHL Board to determine if changes can be made to increase the levels of spending authority for hospital contracts. These changes should help the IHL Board and Attorney General review and reduce the numerous changes and corrections to contracts proposed by UMMC.

### UMMC's Response

UMMC has worked to enhance its contract process, including accounting controls, and as the institution strives for further improvement, UMMC welcomes the existing thresholds in current policy, especially related to procurement of healthcare commodities/services and expediting grant funded purchases. Raising commodities and services threshold in the future would enable UMMC to act upon opportunities for greater discounts and leverage additional pricing breaks, which UMMC sometimes forfeits due to the inability to act quickly. A higher grant threshold would enhance UMMC's ability to meet applicable grant deadlines which often require tight turnaround times.

### Public Procurement Review Board (PPRB) Process

In accordance with Miss. Code Ann. (1972), §31-7-09(1)(a) and §31-7-11, UMMC is required to submit commodity contracts for approval by PPRB through the Office of Purchasing, Travel and Fleet Management. As outlined in the Mississippi Procurement Manual, Chapter 2, 2.102.04, the submission is required no later than noon on the Thursday prior to the first Wednesday of the month.

For commodity purchases in excess of \$250,000, the approval from the IHL Board has to be included in the DFA packet prior to submission. UMMC will normally have less than a week to get the contract signed and submitted after the IHL Board approval is obtained.

We recommend the IHL Board review and address the issue of dual approval for commodity purchase contracts. The IHL Board should consider petitioning for an exception to the PPRB approval, requiring that only the IHL Board approval be required for commodity purchases in excess of \$250,000.

### UMMC's Response

As outlined in the General Observations and Recommendations portion of the Accountants' report, UMMC, as well as all other institutions of higher learning, must obtain approval from the PPRB for contracts that have already been approved by IHL. This redundancy is a result of procurement regulations promulgated by PPRB.

## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Public Procurement Review Board (PPRB) Process - Continued

#### UMMC's Response - Continued

As a general rule, approximately one week passes between the Board meeting at which time the Board contract approval occurs and the deadline for submission of information to DFA for PPRB consideration. During this week UMMC must obtain signatures or other documentation and information from the vendor. This process sometimes delays necessary commodity contracts for the hospital. UMMC invites consideration of legislative efforts by IHL to seek exemption for all eight institutions of higher learning from redundant PPRB oversight for those contracts approved by IHL.

#### UMMC's Other Improvements

- Department of Finance and Administration (DFA)

UMMC has tasked Contracts Administration with the role of ensuring that all contracts which involve the purchase of commodities requiring approval from the Public Procurement Review Board (PPRB) are properly submitted to DFA. This has improved the accuracy of submissions and monitoring of the subsequent P-1, which is the document issued by DFA once a purchase is approved.

- Purchasing/Accounts Payable Interventions

UMMC has tasked Contracts Administration with educating the Supply Chain and Accounts Payable staff on contract identification. This has enabled Supply Chain and Accounts Payable to identify purchases that involve a contract and which do not appear to have been reviewed/executed in accordance with UMMC's contract process. This has helped to reduce the number of POs issued and/or payments made for items/services which were obtained pursuant to a contract that was not approved through the proper process.

### Subsequent Review of Contract Process

Our report contains many recommendations designed to improve the contracting process at UMMC. Once the recommended processes are in place, a follow-up review should be performed. We recommend that a follow-up review be performed on UMMC'S fiscal year of July 1, 2014 through June 30, 2015. A review performed by an independent party will test the functioning of changes implemented to the process and help to identify any weaknesses that may still exist.



## GENERAL OBSERVATIONS AND RECOMMENDATIONS - CONTINUED

### Subsequent Review of Contract Process - Continued

#### UMMC's Response

Once LCM goes live in 2015, UMMC would find value from an additional review of its contract process for the 2016 fiscal year. That one-year period would allow time for a data set to be compiled upon which evaluation and recommendations could be made reflective of the process changes implemented.



## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS

Part of our engagement was a review of the pre-contract process to determine how a contract was processed from the initial request to execution. We noted items that were not in compliance along with recommendations that we feel will improve the process prior to the execution. They are listed below:

- a. Finding: In accordance with IHL Board Policy 707.01, “board approval prior to execution of the contract is required for all other land, personal property, and service contracts that require an aggregate total expenditure of more than \$250,000.”

During our review we noted thirty-two (32) contracts that contained aggregate total expenditure of \$250,000 or more but were not properly approved by IHL Board. See Exhibit 5 for the listing of the contracts that were not properly approved.

Recommendation: Contracts that have an aggregate expenditure in excess of \$250,000, should follow the IHL Board regulations and be properly approved prior to execution of the contract.

UMMC's Response: Prior to 2012, UMMC's understanding of IHL policy 707.01 was that it applied only to contracts that required or committed the institution to spend \$250,000 or more.

Three items listed on Exhibit 5 as contracts were actually payments made pursuant to a price list and subsequent purchase order (PO). As these items were based only on a price list with no terms and conditions or execution by UMMC, Board approval of them was not required.

All three items were for reference lab services for the hospital. Those three items included Viracor – IBT Laboratories, Inc., for which there were two PO's (5/1/11 – 6/30/12 and 7/01/12 – 6/30/13) cited in the exhibit, and Laboratory Corp. Of note, in late 2012, Viracor – IBT Laboratories, Inc., contacted UMMC and requested that a formal agreement be executed. UMMC presented that agreement for the Board's approval at its meeting in April 2013.

Also, prior to 2012, UMMC's understanding of IHL Policy 707.01, was that it did not apply to contracts that were between UMMC and its related practice plans or the University of Mississippi, but only to contracts with non-related third parties.

Contracts with practice plans typically were an effort to compensate the physician practices for the opportunity cost incurred by virtue of certain teaching activities or the additional responsibilities inherent with various administrative roles. The time spent on these activities was time lost to clinical activities for which the practices would normally be performing billable services and generating income.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

UMMC memorialized these payments in a formal written agreement in order to meet certain Federal requirements such as STARK, the Anti-Kickback statute, and Centers for Medicare and Medicaid Services (CMS) billing requirements. The contracts with the practice plans are discussed in more detail in the response to Finding i. found later in this document. Additionally, the two contracts with The University of Mississippi were for collaborative work on grant activities.

Although not specifically delineated in IHL Policy 707.01, UMMC operated with the understanding that IHL approval was required for only contracts funded by hospital revenue, or by state appropriations. Based upon this understanding, UMMC did not submit any grant funded, or sub-award funded contracts (federal or privately funded) to IHL for approval.

Five contracts on Exhibit 5 were grant funded. All five of these contracts were executed prior to the creation of Contracts Administration. As previously mentioned, two of the grant funded contracts were between UMMC and the University of Mississippi. The remaining three included contracts with Applied Biosystems, Caliper Life Sciences, and Delta Health Alliance (EHR project). UMMC's understanding of IHL policy has changed pursuant to guidance from the IHL executive staff.

UMMC's Corrective Action: As mentioned above, UMMC has worked with the IHL executive staff to obtain clarification and understanding of the proper interpretation of IHL Board policies. UMMC now understands that regardless of the funding source, all contracts that meet the Board's threshold for approval as well as all or is a lease or rental contracts, must be approved by the Board in accordance with Board policy and that Board policy applies to all contracts under which UMMC expects to spend \$250,000 or more in aggregate over the term of the agreement. Additionally, by centralizing its contract process in Contracts Administration, UMMC is better positioned to ensure that all contracts are in compliance with Board policies.

Within the last two years, pursuant to a request by the IHL executive staff, UMMC has significantly increased the amount of information provided in the agenda write-ups. This includes an increase in historical and other pertinent contract information that is presented to the Board. Additionally, for contracts that have expired and for which UMMC has submitted a new contract agenda item for Board approval, UMMC has included a request for approval of payments made during the interim period. This practice began at the direction of the IHL executive staff in late 2013 or early 2014.

The expanded breadth of UMMC's agenda items is an effort by UMMC to ensure that it conveys accurate information to the Board. Although during the effective dates cited in Exhibit 5, approval of the contracts did not comply with Board policy, several of those vendors now have new contracts that have been presented to the Board, with

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

information related to contract history and expenditures, as applicable, presented in their agendas. Additionally, Exhibit 11 of the draft report, contains footnotes identifying those agreements.

Importantly, by virtue of consolidating University Physicians (UP) into UMMC, the contracts with UP that were included in Exhibit 5 will no longer be required.

- b. Finding: In accordance with IHL Board Policy 707.01, “board approval prior to execution of leases in an amount greater than \$100,000 is required.” During our review, we noted seven (7) lease contracts that contained aggregate expenditures of \$100,000 or more but were not properly approved by the IHL Board. See Exhibit 6 for the contracts in this category.

Recommendation: Contracts that are classified as a lease and have a contractual obligation in excess of \$100,000 should follow the IHL Board regulations and be properly approved prior to execution of the contract.

UMMC's Response: Prior to 2012, UMMC understood IHL policies regarding leases to apply only to leases of real property (real estate to be leased over a period of time) and not leases of personal property. The leasing of personal property was a mechanism utilized mainly for the hospital to obtain needed hospital equipment. This interpretation by UMMC applied to the contracts found on Exhibit 6.

All six leases identified on Exhibit 6 entered into prior to establishment of Contracts Administration, pertain to personal property. Those five include hospital equipment leases with, Leasing Associates (effective dates of 1/20/10 – 1/27/15 and 01/15/11 – 11/23/15); Baytree Leasing Co., LLC (effective dates of 04/01/10 – 03/31/15 and 03/29/11 – 03/28/16), US Med Equip., Inc. and Cintas for uniform rental.

The only lease subsequent to the establishment of Contracts Administration identified on Exhibit 6 pertains to real property was paid on a PO basis while a new contract was being negotiated with Select Specialty Hospital of Jackson, Inc. (Select). Payments to Select were made pursuant to a PO and were disclosed to the Board by UMMC in its agenda item for the new Select lease, which was approved by the Board in August 2013.

UMMC's Corrective Action: As mentioned above, UMMC has worked with the IHL executive staff to obtain clarification and understanding of the interpretation of IHL Board policies and how those apply to contracts. As a result of that clarification, UMMC understands that all leases and rentals of real or personal property must be approved by the Board, regardless of the contract cost. Additionally, by centralizing its contract process in Contracts Administration, UMMC is better positioned to ensure that all contracts are in compliance with Board policies.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

At the time of this report, Contracts Administration is working with the hospital departments responsible for the ongoing contracts on Exhibit 6 that have not previously been reviewed or revised to find resolutions. Once resolved, all resulting agreements will be handled in compliance with Board policy.

- c. Finding: We noted thirty (30) lease contracts that were on a contractual base less than \$100,000, and did not obtain Commissioner approval in accordance with IHL Board Policy 707.01. However, it was noted that on November 18, 2013, UMMC adopted the policy that lease contracts of one year or less, or less than \$5,000 in aggregate, would not be required to go before the Commissioner. We reviewed one (1) contract that appeared to have been authorized under this UMMC policy. This policy was adopted to reduce the approval time. See Exhibit 7 for the listing of these contracts.

Recommendation: The policy that UMMC adopted should be presented to the IHL Board for consideration. This policy appears to be within the authority granted to UMMC, but we have not been provided evidence of IHL Board approval of this policy. We recommend that UMMC get clarification prior to continuing with this policy.

All other lease contracts should follow the IHL Board regulations and be proper approved prior to the execution of the contract.

UMMC's Response: As mentioned above, prior to 2012, UMMC understood IHL policies regarding leases to apply only to leases of real property (real estate to be leased over a period of time) and not to leases of personal property. Since 2012, UMMC has understood that all leases or rentals of real or personal property must be approved by the Board, regardless of the contract cost.

Of the leases listed on Exhibit 7, all occurred prior to the establishment of Contracts Administration. Sixteen of the leases were for items considered to be personal property.

Additionally, in early 2012, UMMC sought IHL executive staff guidance on leases for one-time events (e.g. use of the Coliseum for graduation). The staff provided guidance that one-time event leases did not require Board approval. Exhibit 7 contains four leases for one-time events that were executed pursuant to guidance received from the IHL executive staff. Those leases were with the Mississippi Fair Commission, LLDG Avalon, LLC, Interactive Exhibits, LLC, and Mississippi Sports Foundation, Inc.

Only two items on Exhibit 7, both involving the Meridian Airport Authority, were for real property usage for a period of years. During the identified dates, UMMC was paying pursuant to a letter acknowledging the continued use of the space for the operation of UMMC AirCare. When Contracts Administration discovered that a letter rather than a proper contract was being used, a formal lease was negotiated and presented to the Board for approval at its meeting in June 2013.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

UMMC's agenda item that accompanied that submission included a historical description outlining the fact that no formal agreement had previously been executed, although UMMC had utilized the space since 2009.

One lease identified on Exhibit 7 was for the rental of hospital beds, with Hill Rom Corp, Inc. (Hill Rom). The payments identified were pursuant to a PO, while Contracts Administration was negotiating a new lease with Hill-Rom. Hill-Rom was selected as a group purchasing organization (GPO) vendor. A new Hill-Rom agreement was approved by the Board in April 2013. The agenda item accompanying UMMC's submission included a detailed history of the previous Hill-Rom contract.

UMMC's Corrective Action: UMMC has worked with the IHL executive staff to obtain clarification and understanding of the interpretation of Board policies and how those apply to contracts. This included clarification on leases and rentals. Additionally, by centralizing the contract process in Contracts Administration, UMMC is better positioned to ensure that all contracts comply with Board policies. At the time of this report, for those contracts listed on Exhibit 7 which have not expired, Contracts Administration is working with the hospital departments responsible for these contracts to find solutions. Once resolved, UMMC will present contracts, as applicable, to the Board for approval.

- d. Finding: We noted five (5) grant funded contracts in which expenditures were made with federal funds. See Exhibit 8 for a listing of these grant funded contracts. These federal funds were awarded to UMMC on a reimbursement basis. However, these grant funded contracts had expenditures that exceeded the approval threshold required by the IHL Board and approval was not obtained as required by IHL Board Policy 707.01. For most grant funded contracts, we were informed that approval was not requested due to time constraints involved in obtaining the grant funding.

Recommendation: Under current policy, grant funded contracts are subject to the approval of the IHL Board. However, since time constraints appear to have deterred departments from getting IHL Board approval, we suggest that this policy be reviewed for possible solutions that allow UMMC to act on potential funding.

UMMC's Response: Although not specifically delineated in IHL Policy 707.01, UMMC operated with the understanding that IHL approval was only required for contracts funded by hospital revenue, or by state appropriations. Based upon this understanding, UMMC did not submit any grant funded, or sub-award funded contracts (federal or privately funded) for Board approval. UMMC now understands that regardless of the funding source, all contracts that meet the Board's threshold for approval or are a lease or rental, must be approved by the Board in accordance with Board policy and that Board policy applies to all contracts under which UMMC expects to spend \$250,000 or more in aggregate over the term of the agreement.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

There were five contracts on Exhibit 8 were grant funded. All such contracts were executed prior to the creation of Contracts Administration. UMMC's interpretation of that policy has changed pursuant to guidance from the IHL executive staff.

UMMC's Corrective Action: As mentioned above, UMMC has worked with the IHL executive staff to obtain clarification and understanding of the interpretation of Board policies and how those apply to contracts. UMMC understands now that even grant funded contracts that are at or above the Board policy threshold or are leases or rentals must be presented to the Board. Additionally, by centralizing the contract process in Contracts Administration, UMMC is better positioned to ensure that all contracts are in compliance with Board policies.

- e. Finding: We noted that seven (7) contracts did not have specific terms with effective and completion dates. They did not contain a specified maximum expenditure amount. Some of these contracts were based on patient load. At the time of negotiation, these contracts were not properly evaluated. See Exhibit 9 for a listing of these contracts.

Recommendation: Contracts should be written to include terms that have specific effective and completion dates along with a maximum expenditure amount.

UMMC's Response: Of the seven contracts included on Exhibit 9, all of which were executed prior to the establishment of Contracts Administration, UMMC has subsequently renegotiated three of the contracts. All three have been presented to the Board for approval. Those included: AutoMed Technologies, Inc., University HealthSystem Consortium, and Cintas Corporation No 2.

As of the date of this response, one agreement, Level3, Inc., is in the process of being discussed with ITS.

One of the contracts, Volcano Corporation, discussed in more detail below, has been renegotiated.

One contract, Intuitive Surgical, Inc., was for the purchase of UMMC's first surgical robot and included a service contract. UMMC is currently determining if a new service agreement is needed.

One contract, with Mission Search Contract Service, Inc., has expired and there are no plans for a new contract.

UMMC's Corrective Action: Since the creation of Contracts Administration, focus has been placed not only on reviewing the legalities of contracts, but also their business terms. This expanded focus has provided UMMC an opportunity to improve the strength of its contract terms to include clear start and end dates, a comprehensive look at



## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

aggregate cost and the need for consolidation to one contract that covers the entire institution, especially when there is a benefit to doing so, such as cost savings or ease of contract management.

- f. Finding: There were seven (7) contracts for miscellaneous lab testing. These contracts were requested per a pricing list that did not contain terms and conditions. We understand that UMMC does not have an obligation to continue service with these vendors and have the option to switch vendors if they are discontent. We have provided a listing of these contracts in Exhibit 10.

Recommendation: A contract should be executed with the vendor for this service. Having a contract in place would protect UMMC should a compliance or liability issue occur.

UMMC's Response: Seven items identified on Exhibit 10 as contracts were actually payments made only pursuant to a price list and PO and therefore were not "contracts" subject to IHL policy pursuant to guidance provided by the IHL executive staff. Six of these items were effective prior to the establishment of Contracts Administration and one became effective after that date. As these items were based on a price list, with no terms and conditions and no execution by UMMC, they did not require Board approval. All seven items were for reference lab services for the hospital.

UMMC's Corrective Action: At the time of this report UMMC's Offices of Integrity and Compliance, General Counsel and Contracts Administration are analyzing the potential for a contract for these services. This analysis will take into account federal and state regulations regarding laboratory services and applicable billing requirements set for by the Centers for Medicare and Medicaid Services. Once a determination has been made, further direction will be given to the hospital, as these are hospital laboratory services.

- g. Finding: While testing contracts, we observed six (6) contracts that were submitted to the IHL Board for retroactive approval. The retroactive approval was requested for overspend on some of these contracts, while some requested retroactive approval for month-to-month transactions.

We also noted twenty-nine (29) purchase orders continued on a month-to-month basis that were not brought to the IHL Board for proper approval. These purchase orders followed contracts that expired without a new contract in place. It appears that the IHL Board was not informed of this situation until a new contract was negotiated. Exhibit 11 is a listing of these contracts.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

In an effort to minimize occurrences and inform the IHL Board when a month-to-month situation arises, a history of the contract is included in the agenda packet. This accompanies a request for retroactive approval.

Recommendation: We recommend consistent monitoring to prevent contracts from expiring without a replacement contract in place. In addition, monitoring should minimize and prevent overspending of contracts. We recommend continuing to notify the IHL Board of these transactions.

UMMC is in process of implementing a Contracts Management System. This system should provide the ability to monitor contracts to ensure they are not being overspent. It should help prevent lapses in contract periods by providing the ability to plan ahead for contract renewal dates. Full utilization of these capabilities should reduce future errors of this nature.

UMMC's Response: Exhibit 11 contains a list of six items submitted to the Board for retroactive approval of either an amount UMMC spent that exceeded the amount approved by the Board during the contract term, or an amount UMMC paid after contract expiration, but prior to the execution of a new contract (interim period). As UMMC has taken steps to correct these issues, with appropriate documentation having been supplied to the Board, UMMC considers these matters resolved.

Twenty-nine items identified on Exhibit 11 as contracts were paid pursuant to PO during an interim period (a period between effective contract term dates). Although UMMC disclosed these issues to the Board, it did not specifically request through the agenda item, Board approval of the amounts paid during the interim periods. Based on the dates of the contracts, it appears that almost every contract was effective prior to the time at which UMMC was directed to specifically include in our agenda items, as applicable, a request for approval of overpaid amounts or amounts paid during an interim period. UMMC believes this directive was provided in late 2013 or early 2014. Of note, sixteen of these items were prior to the establishment of Contracts Administration, while thirteen were made after that date.

UMMC's Corrective Action: Within the last two years, pursuant to a request by the IHL executive staff, UMMC has significantly increased the amount of historical and other pertinent contract information presented to the Board. That information includes any over spent amounts and payments made on PO during interim periods. Additionally, in late 2013 or early 2014, at the direction of the Board staff, UMMC began specifically requesting permission for overspent amounts and payments made during an interim period only on PO. Including that information and requests in the agenda item has allowed UMMC to present to the Board a complete overview of the contract. As indicated by the Exhibit foot notes, many of the contracts overspent and payments during the interim periods have been reported to the Board.



## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

With the implementation of the LCM, UMMC will be able to conduct more adequate post contract administration. This will reduce the number of contracts that are overspent or expire without first being appropriately handled.

- h. Finding: The addendum to the Vision Healthcare Solutions contract effective on July 1, 2009 through June 30, 2011, contained terms indicating that the contract would extend for two years. However, the IHL Board agenda and minutes indicate the contract addendum was extended for one year.

Recommendation: Steps should be taken to ensure that the contract terms reflect what the Commissioner or IHL Board approves. If the contract was extended, proper approval for such extension should have been maintained in the contract file.

UMMC's Response: Vision Healthcare Solutions, formerly SHARESTAFF, LLC. is a staffing agency that was used by UMMC to provide Registered Nursing and License Practical Nursing staff to UMMC during staffing shortages. The report identified one issue with the agreement. UMMC's interpretation of the issues is as follows:

The original 2006 agreement provided the ability for UMMC to renew the agreement for an additional two years. The Board approved a one year renewal. UMMC executed a renewal that extended contract by two years, which complied with the terms of the agreement but were not in compliance with the renewal approval reflected in the Board minutes.

- 2006 - UMMC obtained approval from the Board to enter into a three year agreement with SHARESTAFF with an effective date of July 1, 2006. The Board authorized UMMC to spend up to \$3,200,000 on this contract.
- 2007 - On March 14, 2007, UMMC obtained approval from the Board to increase the amount of funds authorized by \$6,400,000; making the total authorized amount \$9,600,000.
- 2008 – On February 21, 2008, UMMC obtained approval from the Board to increase the amount of funds authorized by \$7,500,000.
- 2009 - On June 18, 2009, UMMC obtained Board approval to enter into an amendment to renew the 2006 agreement for an additional one year term. Additionally, UMMC was authorized additional expenditure authority up to \$350,000, increasing the total authorized amount to \$17,100,000. UMMC actually executed an amendment for two years rather than the one year approved by the Board.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

- 2010 - In September 2010, UMMC entered into a new agreement with Visions Healthcare Solutions which superseded the agreement previously approved by the Board. This new agreement did not require Board approval as the contract was not to exceed \$200,000. UMMC spent \$191,908.44 under that agreement. This agreement has since expired.

UMMC's Corrective Action: By centralizing the contract process in Contracts Administration, UMMC is better positioned to ensure that all Board approved contracts are handled in a manner that is compliant with the Board's approval. Through coordination of Contracts Administration, Purchasing and Accounts Payable, UMMC has strengthened its controls regarding adding funding to an individual contract PO. These processes help to ensure that funds are not added, or spent without a contract renewal or amendment, if so required.

- Finding: We noted eight (8) contracts with University Physicians, PLLC that were not approved by the IHL Board. These contracts were reviewed by UMMC's Compliance Department and Legal Department. UMMC considered these contracts to be internal negotiations. They were reviewed for issues dealing with STARK (physician referral regulations). See Exhibit 12 for a list of these contracts.

Recommendation: On September 1, 2012, UMMC merged with University Physicians, PLLC and therefore is now considered to be a component part of UMMC. We recommend any future contracts exceeding the IHL Board Policy 707.01 threshold for internal nature be submitted to the IHL Board, as required.

UMMC'S Response: Prior to 2012, UMMC's understanding of IHL Policy 707.01 was that it did not apply to contracts between UMMC and its related practice plans or the University of Mississippi, but only to contracts with non-related third parties. Eight contracts were identified on Exhibit 12 by which UMMC contracted with University Physicians, PLLC and University Dentists, PLLC. It was necessary for UMMC to formalize these arrangements in a written agreement in order to meet certain Federal requirements such as STARK, the Anti-Kickback statute, and Centers for Medicare and Medicaid Services (CMS) billing requirements.

A description of the agreements and the reason for each are as follows:

1	University Physicians, PLLC	04/01/11	02/01/13	\$780,000
2	University Physicians, PLLC	07/01/11	06/30/12	\$1,936,960
3	University Physicians, PLLC	12/01/11	06/30/14	\$2,184,558
4	University Physicians – Otolaryngology, PLLC	7/01/09	06/30/10	\$279,779
5	University Physicians –	07/01/11	06/30/12	\$279,779

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

	Otolaryngology, PLLC			
6	University Physicians – Otolaryngology, PLLC	07/01/12	6/30/12	\$283,362
7	University Dentist, PLLC	07/01/09	06/30/10	\$500,000
8	University Dentist, PLLC	07/01/11	06/30/12	\$500,000

1. This was an agreement between University Physicians and the UMMC Holmes County Hospital and Clinics for the provision of certain radiology services to the hospital. The arrangement was reduced to writing in order to comply with CMS requirements for hospital billing, meet a STARK exception, and meet an Anti-Kickback Safe Harbor requirement.
2. This was a clinical supervision and support services agreement between University Physicians and the hospital for professional services and support to UMMC's telehealth program. The arrangement was reduced to writing in order to comply with CMS requirements for hospital billing, meet a STARK exception, and meet an Anti-Kickback Safe Harbor requirement.
3. This is a hospital revenue generating agreement between University Physician's Department of Orthopedics - Orthotics & Prosthetics (O&P) and UMMC hospital. Under the agreement the hospital leased space for an O&P location, provided certain equipment to O&P, performed renovations of the space, provided supplies for treatment of inpatients by O&P, and provided billing services for the hospital's inpatients who received O&P services on the hospital inpatient claim. The arrangement was reduced to writing in order to comply with CMS requirements for hospital billing, meet a STARK exception, and meet Anti-Kickback Safe Harbor requirements.
- 4-6. Items four through six were contracts executed pursuant to a continued commitment by UMMC to provide assistance to the University Physicians Department of Otolaryngology in furtherance of its creation as a separate department from the University Physicians Department of Surgery. The obligation originated in 2001. That obligation was reiterated in 2009. Specifically, the contracts were executed as a means of compensating the physician practice for the opportunity cost incurred by virtue of the additional responsibilities inherent with various administrative activities. The time spent on these activities was time lost to clinical activities for which the practices would normally be performing billable services and generating income.
- 7-8. Items seven through eight were executed as a means of compensating the dental practice plan for the opportunity cost incurred by virtue of the conduct of certain teaching and supervisory activities for undergraduate and general practice

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

residency clinics. The time spent on these activities was time lost for which the practice would normally be performing billable services and generating income. These written contracts were necessary to ensure compliance with a STARK exception and Anti-Kickback Safe Harbor.

UMMC's Corrective Action: Not submitted.

- j. Finding: Four (4) contracts were submitted to the IHL Board requesting approval of spending levels exceeding the amount approved by ITS. The amount submitted to the IHL Board exceeded the approved amount reflected on the ITS CP-1 acquisition approval form. ITS Procurement Handbook 009-025, states "The ITS CP-1 Acquisition Approval form is used to notify agencies and institutions that ITS has approved the agency or institution's request for the acquisition of information technology equipment, software, or services or has approved the exemption of a procurement from ITS.

This form specifically identifies the name of the vendor, a list of the products approved, associated costs, and any additional pertinent information for acquisitions made through ITS, and specifies the nature of the purchase and the maximum expenditure amount for exempted procurements." Since ITS governs the approved amount, if additional funds are needed, a CP-1 revision is required. We listed these contracts in Exhibit 13.

Recommendation: We recommend that the amounts submitted to ITS and the IHL Board agree. When approval is requested from the IHL Board, the ITS CP-1 form should be included in the IHL packet. This allows the IHL Board to review and verify approval by ITS.

UMMC's Response: Four contracts were listed on Exhibit 13 for which UMMC sought and obtained a CP-1 approval form from the Mississippi Department of Information Technology Services (ITS). The amounts approved by the Board for these relevant contracts, however, were not the same as the amounts that ITS had approved.

UMMC's Corrective Action: Since 2012, UMMC has implemented processes that allow more time for UMMC to internally review agreements to ensure that the anticipated cost of any ITS approved information technology project equals or exceeds the amount UMMC requests the Board to approve. Additionally, in early 2012, for information technology needs that UMMC does not procure from a group purchasing organization (GPO), UMMC began utilizing ITS to conduct requests for proposals. The negotiated contracts are executed by ITS on behalf of UMMC. This Beginning in 2013, through work and coordination of the ITS staff and the IHL executive staff, processes were put into place to ensure that the Board is informed of any contract ITS executes on behalf of an institution of higher learning.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

- k. Finding: We noted five (5) ITS contracts that were not approved by the IHL Board but were negotiated by ITS. Any contracts negotiated by ITS were not presented to the IHL Board. Since that time, the IHL Board and ITS agreed that a monthly notice would be given to the IHL Board and included in IHL Board agenda.

Recommendation: We recommend that UMMC consistently follow this process. This allows the IHL Board to perform its due diligence in the approval of contracts that are negotiated by ITS.

UMMC's Response: The report identified five contracts negotiated by ITS which the Board had not approved. Prior to the spring of 2013, UMMC's understanding of IHL policy 707.01 was that contracts negotiated on behalf of UMMC by third parties but not actually executed by UMMC did not require Board approval. As ITS executes any agreements which it negotiates on behalf of another state agency, including an institution of higher learning, UMMC did not submit these agreements to the Board for approval.

UMMC's Corrective Action: In 2013, through work and coordination of the ITS staff and the IHL executive staff, processes were implemented to ensure that the Board is informed of any contract ITS executes on behalf of an institution of higher learning.

- l. Finding: In reviewing the Volcano Corporation contract, effective from July 1, 2009 through June 30, 2010, we noted that the contract was not properly bid as required. In addition, we saw no evidence of sole source approval by DFA contained on Form P-1. Without proper documentation, we were not able to conclude that this contract was properly procured.

We also noted that this contract required a minimum monthly purchase commitment. This minimum was not met in some months but was exceeded in other months.

We noted that this contract could be extended for one year upon renewal. The renewal contract was not available for review. However, payments continued through 2011.

Recommendation: Contracts executed prior to the formation of the Office of Contracts Administration and prior to the use of Lawson were held by the department who owned the contract. We recommend that future contracts and renewal contracts are uploaded in Lawson for easy accessibility.

We recommend that contracts follow the proper procurement requirements and obtain the proper approval (i.e. P-1 from DFA). We also recommend that the contract owner monitor the contract and ensure that the minimum monthly commitments are being met.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

UMMC'S Response: The Volcano agreement identified in the report was for a term from June 30, 2009 through July 1, 2010. The agreement had three parts.

The first was a software license for s5i integrated Intravascular Ultrasounds (IVUS) Unit and one Volcano Certified s5 Ultrasound Imaging System Tower featuring VH IVUS. The second component was for the support/maintenance of the software. The third component was the Catheter Usage Program agreement, which required a minimum purchase of catheters and wires for use with the integrated system. All three components were for a one year term.

The report identified three issues related to Volcano. Those issues and UMMC's finding for each are as follows:

- Procurement – No sole source documentation was located in the 2009 materials. UMMC reviewed the listing of approvals from DFA called P-1 approvals, which is maintained by UMMC's purchasing office during the relevant time frame. One P-1 for Volcano was identified. The P-1 covered the period of 2007-2012. Purchasing had used that P-1 for the contracts that existed during that period of time. Additionally, the amount provided to DFA, was less than the amount spent on the 2009 agreement. The procurement method was acceptable, as it was presented to DFA as sole source and a P-1 obtained; however, UMMC should have requested a P-1 for each annual contract rather than applying the one P-1 to all contracts that were executed within the five year period covered by the P-1.
- Compliance with contract requirements – The Catheter Usage Program agreement provided that a minimum of 13 catheters/wire purchases be made monthly. The purchases could be any combination of catheters and wires offered, but collectively a minimum of 13 products were to be purchased monthly. It does not appear that UMMC met the purchase volume requirements. Upon expiration, of the 2009 agreement the department obtained maintenance and service on a PO basis only until 2013.
- Payments continued past contract expiration - The report concluded that this agreement exceeded the amount established on the PO for spend. The PO indicated that the anticipated spend would be \$135,000; however, UMMC spent \$237,956.00. UMMC concurs with the finding.
- Since 2013, UMMC has executed an annual contract with Volcano and a P-1 has been obtained from DFA for each contract.

UMMC's Corrective Action: An appropriate sole source procurement method for volcano was performed. With the consolidation of the contracting processes, UMMC is better able to ensure appropriate procurement methods have been followed, prior to allowing a contract to be reviewed and executed. Additionally, Contracts Administration



## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

is charged with submitting requests for P-1 approval from DFA when the purchase involves a contract. Moreover the Lawson Contracts Management module, which UMMC is implementing, will eliminate the manual processes used in the past and aid in procurement and policy compliance.

- m. Finding: The contract with Huron, effective November 1, 2009 through August 31, 2011, was given an exemption from ITS which allows UMMC to perform the Request for Quotes (RFQ). UMMC was not able to provide any bid information. We were not able to determine if this contract was properly bid and advertised.

Recommendation: Bid requirements should be in accordance with ITS Policies. We recommend that the RFP or Bid follow the proper procedures. We also recommend that the proper procurement documentation and be maintained and available upon request. We noted that this is now being handled by the Office of Contracts Administration. We recommend that this process continue.

UMMC's Response: This agreement was for technical assistance with the implementation of the Lawson financial suite and was subject to ITS procurement regulations. The report identified a possible procurement issue with this contract because, at the time of the report, UMMC was unable to locate a complete procurement file.

Since receipt of the draft report, UMMC located additional information which establishes that UMMC did conduct a competitive procurement process ultimately resulting in the execution of this contract. Specifically, it was determined that UMMC advertised a request for qualifications for a vendor to assist in the Lawson implementation. A selection of two qualifying vendors was made and those vendors were requested to present more detailed proposals to include costs. Based on those responses, Huron was awarded a contract. UMMC requested, and ITS provided, a CP-1 for the project, after the selection had occurred.

UMMC's Corrective Action: When such purchase cannot be procured from a group purchasing organization, UMMC has begun utilizing ITS services for conducting its larger RFPs. This ensures that all proper procedures are followed for the procurement of information technology products and services. Also, as previously mentioned, when ITS negotiates contracts on UMMC's behalf, through coordination of the ITS and IHL staff, the Board is notified of the contract through an informational agenda item.

- n. Finding: During our review of Fortec Medical Inc., effective January 1, 2011 through December 31, 2013, we noted that the contract was awarded without satisfying proper bid requirements. The contract did not have a fixed amount and was based on case



## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

load. The contract should have been approved by the Commissioner. Furthermore, the contract was overspent and payments were made on a month-to-month basis.

Recommendation: We recommend that proper procurement policies be performed prior to entering into a contract with a vendor and the proper approval should be obtained.

UMMC's Response: This agreement provides for the lease of lasers for use in surgical procedures and the services of a technician to assist surgeons or staff during the procedure. The report indicates that DFA procurement methods were not followed.

Prior to the audit, Contracts Administration became aware of the issue related to Fortec. Contracts Administration had informed the department that an appropriate procurement method had to be followed and Contracts Administration began working with the department to formulate and advertise a DFA approved RFP. While working through the RFP process, an alternative vendor on contract with UMMC's primary GPO, Novation, was identified. It was determined that the price provided through Novation was better than market. UMMC canceled the RFP and the department is working with the GPO vendor to negotiate an agreement for services. Any agreement that results from these negotiations will be handled in compliance with Board policy.

UMMC's Corrective Action: As mentioned above Contracts Administration, has addressed the procurement issue and the department is currently in negotiations with a new vendor that is available through the GPO. Additionally, to the extent that UMMC was able to compare pricing to similar leases at that time, UMMC has determined that it paid a competitive lease rate for these products.

Prior to the Contracts Administration office becoming fully operational in July 2012, UMMC's contracting processes were decentralized with many clinical departments operating in a silo fashion for procurement and contracting. Since that time, UMMC has worked to create a culture of compliance with procurement laws, along with sound legal and business decisions. This has included review of procurement methods utilized to select vendors before any proposed contract can proceed for formal review. This centralized contract process includes checks and balances to ensure that no contract is executed which has not been properly procured. Additionally, UMMC has strengthened its bid and RFP processes to ensure all steps required by DFA are followed and complete procurement records are maintained.

- o. Finding: We reviewed the contract with Petroleum Helicopters, Inc. (PHI), effective July 1, 2010 through June 30, 2015, for the purchase of one helicopter; maintenance and support; use of one helicopter while awaiting delivery; four pilots; and two mechanics. We noted that this contract was awarded after an RFP was performed, but the RFP was not available for our review. We could not determine if this RFP was properly advertised or performed due to lack of documents available for our review.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

The purchase of the helicopter required a pre-payment of \$5,975,118. Based on information available in the file and review of IHL Board minutes, we could not determine that proper approval for this pre-payment was authorized.

Recommendation: Bid requirements should comply with Miss. Code Ann. (1972), § 31-7-13(c). We recommend that the RFP or bid follow the proper procedures. We also recommend that proper documentation of procurement be maintained.

We also recommend that approval for prepayments be authorized and approved by the IHL board prior to execution.

UMMC's Response: This agreement was for the provision of a helicopter to be built to UMMC specifications and for the provision of pilots and mechanics to operate the helicopter. The report indicates that proper DFA procurement methods were not followed because the procurement file could not be located.

UMMC has since located procurement information and has established that UMMC did conduct a competitive procurement process which resulted in this contract. Specifically, it was determined that UMMC advertised an RFP for the provision of a helicopter to be purchased and for the provision of pilots and mechanics.

As to the time this contract was executed the Board's present policy regarding pre-payments was not in effect. Additionally, the \$5,975,118 was included in the total cost presented to the Board.

UMMC's Corrective Action: Prior to the Contracts Administration office becoming fully operational in July 2012, UMMC's contracting was decentralized and many clinical departments operated in a silo. Since that time, UMMC has worked to create a culture of compliance with procurement laws, along with sound legal and business decisions. As part of this process, UMMC has strengthened its bid and RFPs process to ensure all steps required by the DFA are followed and complete records are maintained. Additionally, as per the recently approved Board policy, UMMC is requesting approval for pre-payment, as applicable.

- p. Finding: We reviewed three (3) custom contracts negotiated by Novation on behalf of UMMC. Novation is UMMC's primary GPO. In accordance with Miss Code Ann. (1972) § 37-115-31, UMMC is allowed to purchase through a GPO.

UMMC's contract with Novation states that "the custom contracting process is member-driven, flexible and uses the public competitive bid process that integrates clinical and financial criteria into the award, addresses member diversity, assures market competitiveness and promotes innovative medical technology."

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

UMMC relied on Novation to conduct a competitive bid process in conjunction with the procurement process. Novation violated its contract with UMMC by not obtaining competitive bids. This violation could offset any benefit expected from the GPO.

A summary of the three contracts obtained through Novation are as follows:

- Par Excellence, effective July 1, 2009 through June 30, 2014, in the amount of \$1,821,291. This vendor was not already on the GPO when the product was requested. UMMC had Novation negotiate the contract directly.
- Beckman Coulter, effective November 9, 2009 through November 9, 2010, in the amount of \$497,234. In the contract with Novation, one of the opening terms states the following: “Whereas, Supplier (Beckman) would like to make certain Products, beyond those available under the Base Agreement, available to the UHC Members listed in Exhibit A as set forth in this Addendum.” Thus, it appears as if the additional items were not part of the base agreement negotiated. The products could be assumed as sole source if proprietary; however, without the proper documentation, we cannot conclude this was properly bid.
- Huron, effective July 1, 2010 through June 30, 2011, in the amount of \$10,500,000. Although services are not required to have a RFP or bid, Novation violated their contract with UMMC by negotiating with this vendor. Novation did not utilize the competitive bid process as stated in their contract prior to negotiations with Huron.

From discussions with UMMC personnel it appears that these contracts submitted to the IHL Board did not include the custom contract agreement exhibit.

Recommendation: Bidding requirements should be in accordance with Miss. Code Ann. (1972), § 31-7-13(c). We recommend that the RFP or bid follow the proper procedures. We recommend that agreements negotiated by a third party follow the regulations that govern UMMC.

We understand that the Office of Contracts Administration is aware of these issues and no longer allows custom contracts.

UMMC's Response: Pursuant to its 2008 contract with Novation group purchasing organization, UMMC can procure items and services tailored to UMMC's needs through custom contracts. In 2011, UMMC became aware of the existence of some custom contracts for items and services that were not bid out in accordance with UMMC's contract with Novation. UMMC Supply Chain was instructed to make no further request of Novation for a custom contract. Additionally, UMMC legal and compliance departments worked with Novation to determine what custom contracts existed and

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

UMMC Supply Chain was instructed to begin process of finding alternative mechanisms for purchasing the items and services.

Of the three custom agreements identified in the audit, only one was not replaced utilizing another acceptable procurement method, which was an agreement with Huron that was effective between July 1, 2010 and June 30, 2011. The custom contract was not replaced because the services were no longer needed. The history of those custom contracts replaced is as follows:

- PAR Excellence - Par Excellence is an inventory management system utilized mainly on the inpatient floors and a few outpatient areas of the hospital. The purchase history of the Par Excellence system is as follows:
  - 2008 - UMMC's Purchasing department issued request for proposal No. # 1104 Automated Point of Use Inventory Management System on April 7, 2008. Proposal responses were due by Tuesday, April 29, 2008 at 3:00 pm. The advertising date and the proposal due dates were too close together to be in compliance with state purchasing regulations. In addition, a vendor was allowed to submit a proposal via email. Based on the notes in the file, there were four companies whose proposals were scored: Par Excellence, Cardinal, EHS, and AtPar, Inc.; however, none of the score sheets have names or signatures of the individuals who scored the proposal. There is no further information in the file that this RFP was awarded or cancelled.
  - 2009 - On February 1, 2009, Novation group purchasing organization entered into a Capital Equipment Supplier Agreement with Par Excellence on behalf of UMMC for the automated dispensing technology. This agreement was for the purchase and lease of direct ordered products and was not competitively bid by Novation.

On April 30, 2009, UMMC received approval from ITS for \$1,821,298.00 with CP-1 - 20090455. On May 13, 2009, the IHL Board approved UMMC to enter into an agreement with Par Excellence in the amount of \$1,821,298.00. This agreement was for the initial purchase of the hardware and software for the system. In addition, Exhibit B of the agreement was the support services. Both agreements were in effect until project completion.

- Beckman Coulter, Inc. (Beckman) - This contract was for the provision of Flow Cytometry products. UMMC utilizes the equipment and associated reagents in its Immunopathology Laboratory to provide flow cytometry services used in the diagnosis of leukemia, treatment of immunocompromised patients, and to provide support to the University Transplant Program.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

From UMMC purchasing files, it appears UMMC has conducted business with Beckman since 2001. That agreement was amended several times up to 2010, at which time it appears Novation and Beckman negotiated a custom contract under which UMMC could obtain, through the GPO, the equipment/commodities. Beginning in 2010, the history/purchase is as follows:

- 2010 - The Board approved an agreement between UMMC and Beckman Coulter at its August 19, 2010, meeting. The agreement has a term of five years from September 1, 2010, through August 31, 2015.
- 2014 - In January 2014, UMMC obtained approval from the IHL and PPRB to increase the total spend related to the existing reagent rental agreement with Beckman Coulter. The increased need was due to a rise in the volume of testing currently being performed. At that time, UMMC also obtained retroactive approval of \$174,000.00, which UMMC spent prior to requesting the Board's approval to increase the amount that UMMC expects to spend.

UMMC's Corrective Action: Not submitted.

- q. Finding: In reviewing the contract with AutoMed Technologies, effective September 24, 2010 through September 24, 2015, we discovered that the contract did not get the proper IHL Board approval. We were able to determine that this vendor was selected through a RFP in 2005, and was the only vendor with the ability to fulfill this duty. However, we found no evidence of approval from DFA (P-1) for the purchase of equipment covered in this agreement.

Recommendation: This contract requires approval from the IHL Board and DFA (P-1). UMMC should ensure that approvals are obtained and a copy of the P-1 is included with the contract. Since this contract was effective prior to Lawson, we understand that this contract was held at the department.

UMMC's Response: AutoMed provides the automated pharmacy dispensing cabinets utilized throughout UMMC. The contract was set up so that each department could order dispensing equipment as needed, while the pharmacy controlled licensure and equipment support/maintenance. The report indicated that the contract was not approved by the IHL and proper DFA approvals were not obtained.

Based on reviews conducted by UMMC both previous to and after the audit, it was determined that UMMC had conducted a bid for this equipment in 2005. The resulting contract was effective in 2006. Between 2008 and 2012, there were purchases made that were governed by the 2006 agreement. As such, the cost of those purchases should have been considered in aggregate spend, per IHL policy. In 2013, UMMC submitted and obtained approval from the Board for a new agreement with AutoMed.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

Information related to the history of AutoMed was provided to the Board through the 2013 agenda item and that information is detailed below:

- 2005 - UMMC's Pharmacy Department utilized one type of AutoMed equipment since approximately 2001. In late 2005, UMMC conducted RFP 1089 for new and additional outpatient pharmacy automation equipment. The lease-purchase of a large amount of the equipment is believed to have been approved by the Board in approximately May 2006 as part of a lease program; however, UMMC has been unable to determine whether it was actually approved by the Board.
- 2006 – 2012 - UMMC entered into two agreements for the purchase and maintenance of the equipment and technology. Due to delays in satisfactory installation and implementation, the equipment was not operational until approximately 2008. Additional purchases for equipment occurred between 2008 and 2012. These purchases were subject to the 2006 agreement. The individual purchases were less than \$250,000. However, as these purchases were governed by the 2006 agreement, the aggregate purchase amount should have been considered and Board approval obtained. Under the 2006 contract, UMMC spent \$1.8M on services and equipment.
- 2010 - UMMC entered into a new agreement in 2010 for the maintenance of the existing equipment. Under the 2010 maintenance contract, UMMC spent approximately \$679,000. Neither the 2010 maintenance agreement nor the additional equipment purchases were presented to the Board for approval.
- 2013 - In October 2013, UMMC presented new Equipment Purchase and Software License Agreements to replace the noncompliant agreements from 2006 and 2010. IHL approved the new agreements for 5 years with a total cost of \$2,700,000. The contract has two parts – the purchase of equipment and services for new and existing equipment. Internally, Pharmacy pays for and manages the services, software, and maintenance, while individual equipment purchases are made by the departments where the equipment resides.

UMMC's Corrective Action: Prior to Contracts Administration office becoming fully operational on July 2102, UMMC's contracting was decentralized and many clinical departments operated in a silo in terms of procurement and contracting. Centralization has allowed Contracts Administration to create checks and balances in regard to procurement, as Contracts Administration ensures that proper procurement has been followed before a contract to progress through the review process. Contracts Administration is now submitting requests to DFA for authority to purchase, or P-1 approval, when a procurement is accompanied by a contract. Additionally, the use of LCM will assist in monitoring the P-1s.



## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

- r. Finding: We noted three (3) items that had a contract with terms and conditions that bypassed the reviews by the Office of Contracts Administration, Compliance Department, or Legal Department. In an attempt to identify any contracts with terms and conditions that were not properly reviewed by these departments, we requested a report from the Data Management Department of all payments made through the Lawson module PO20. This report listed all equipment or commodities purchased on contract or on GPO. We randomly selected 20 items to review from the list provided. Additionally, we found items in module PO25 that bypassed the proper reviews.

We found that requesters sent contracts directly to the Purchasing Department. These contracts failed to have the proper review by the Office of Contracts Administration, Compliance Department, or Legal Department. We have listed these contracts below:

- USA Mobility Wireless, effective July 1, 2011 to June 30, 2012, \$3,210
- USA Mobility Wireless, effective July 1, 2012 to June 30, 2013, \$3,210
- Lifenet Health, effective January 1, 2012, no maximum amount

Recommendation: We recommend that contract owners follow the proper contract process before engaging a vendor. In the future, UMMC should establish one department whose responsibility is the initial entry of any contract into the system. For example, if a contract is routed to the Purchasing Department, they should redirect the contract to the department designated with the authority to initiate the contract process.

UMMC'S Response: Not submitted.

UMMC's Corrective Action: UMMC has continued to educate its staff as to the centralized review process and the requirement that all documents that constitute a contract be provided to Contracts Administration for appropriate review. Although there has been much progress, departments may still have difficulty determining what documents make up a contract. It is in those instances that Contracts Administration has found contracts bypass the review process and are sent directly to UMMC purchasing for processing. UMMC purchasing has assisted in attempting to identify these instances and redirect such documents for review. UMMC will continue its efforts to educate departments as to what constitutes a contract and the process for proper review.

- s. Finding: During our review of US Med-Equip, Inc., effective July 1, 2010 through June 30, 2014, we found that no contract was executed. Per our review of the quote statement, a contract for the lease of equipment could be inferred from the quote statement's terms and conditions. This vendor was not on the GPO, and this was not properly procured. Payments made to this vendor totaled \$716,077, which should have been submitted for IHL Board approval.



## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

Once this came to the attention of the Office of Contracts Administration, the contract owner was instructed to either discontinue use with this vendor or select a vendor that provides similar equipment from the GPO. The owner was informed of the need to issue a RFP for a suitable vendor.

Recommendation: We recommend that proper procurement procedures be followed for equipment rental and that a written contract be negotiated. A contract is needed for this type of lease to protect UMMC. Lease contracts with expenditures greater than \$100,000 require IHL Board approval.

UMMC's Response: US Med Equipment (US Med Equip) is a vendor from whom UMMC leases equipment/instruments. The US Med Equip identified in the audit was a result of multiple rental for respiratory care equipment and defibrillators.

Contracts Administration became aware of the existence of this possible rental arrangement in late 2012, and Contracts Administration advised the department and Supply Chain of the concerns with procurement and compliance with IHL policy regarding leases. Both the department and Supply Chain expressed concerns that patient care might be affected, if UMMC changed products. Upon review Contracts Administration noticed that there were only four terms to the entire agreement. According to the department, it had not realized that just those four terms constituted a rental agreement. Since it could not be determined how UMMC had selected the vendor, Contracts Administration advised the department that a proper procurement method would have to be followed, either through a GPO vendor or proper bid. As this is used in patient care, UMMC continued to pay on PO. Ultimately, an alternative vendor was found through the GPO that is conditioned entirely on the agreement between the GPO and the vendor (i.e. no terms and conditions were signed by UMMC). Since that time, US Med Equip has become a bid-awarded vendor through MedAssets, UMMC's secondary GPO, and subsequently Novation. As such, UMMC is looking at switching back to US Med Equip at some point and any resulting contracts, which may require Board approval, will be provided for Board consideration.

UMMC's Corrective Action: Prior to July 2012, which is seen as the official implementation date of Contracts Administration, UMMC's contracting was decentralized and to that extent, many clinical departments operated alone in terms of procurement and contracting. As part of review process, the procurement method of any contract is analyzed before the agreement is allowed to pass for review and execution. This in combination with more procurement guidance by Supply Chain through its strategic sourcing strategy, will help to eliminate instances of noncompliant procurement. Additionally, to the extent that UMMC was able to compare pricing to similar leases at that time, UMMC has determined that it paid a competitive lease rate for these products.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

- t. Finding: During our review, we consistently heard departments complain about slow turnaround of contracts submitted for review. We selected a sample of contracts for review of the timeline for internal contract routing for the Office of Contracts Administration, Compliance Department, and Legal Department. We noted the following average days for each department:

- Office of Contracts Administration – average of 25 days
- Compliance Department – average of 14 days
- Legal Department – average of 20 days

The average turnaround for the Office of Contracts Administration comprises several processes including the procurement process, review, and vendor negotiation. The turnaround days for the Compliance Department and Legal Department involves contract review.

Recommendation: We encourage these departments to evaluate and monitor their internal office review targets for contract review. With contracts requiring various channels of review, a clear, concise timeline needs to be implemented to ensure that the contracts are reviewed efficiently and in a timely manner. We understand that occasionally vendor issues will delay the turnaround goal, and these expectations should be reset on a contract-by-contract basis.

In September 2014, the Compliance Department implemented a change that was recommended as part of a peer review. This department has begun only reviewing UMMC's business associate agreements terms that the vendors incorporate into their contracts. This was an effort to reduce the review time by this department.

UMMC's Response: Not submitted.

UMMC's Corrective Action: Although ensuring compliance with IHL Policy, compliance with procurement requirements, and creating legally sound contracts is of utmost importance, UMMC's internal customers' needs are also important. Early in the process of creating a centralized contracting process, Contracts Administration's customers expressed various concerns they had with the process, which included their inability to monitor their contracts during the review process, the time it takes to complete the review process and subsequent administration of their contracts. As part of meeting customers' expectations, Contracts Administration has implemented or is in the process of implementing various improvements to the contract process to include:

- An electronic system for routing contracts that allows customers to view contracts as they move through the contracting processes and to garner insight into the comments made by the various reviewers;

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

- The streamlining of the number of contract reviewers, which includes limiting the departments that need to review the agreement based mainly upon the business terms of the agreement, which has led to faster processing time; and
  - Implementation of an electronic contract management system to help monitor contracts, which is currently in process.
- u. Finding: During our review of Recombinant Data Corp., effective July 1, 2012 through June 30, 2014, we noted the approval from ITS was obtained after the advertisement and performance of the RFP. The RFP was performed December 2010 and ITS approval was granted in February 2011. As stated in the ITS Procurement Handbook, 013-040, “the exemption should be approved by ITS before an advertisement is issued for the procurement.”

Recommendation: We recommend the procurement process follow the proper procedures as outlined in the ITS Procurement Handbook. Proper ITS approval should be obtained before a RFP is advertised.

UMMC's Response: Recombinant was an Enterprise Data Warehouse that was to be used to strengthen research, informatics and data sharing mechanism to allow for increased support of research projects. The history/purchase of Recombinant is as follows:

- 2010 – In December of 2010, UMMC issued RFP #1136 titled “Biomedical Informatics: Enterprise Data Warehouse Implementation.” Recombinant was the only vendor to respond. UMMC did not obtain a CP-1 prior to conducting the RFP. UMMC did not seek a CP-1 at that time.
- 2011 - UMMC entered into a Master Services Agreement (MSA) and first Statement of Work (SOW) with Recombinant in March 2011 as part of a three (3) phase project for the development of the enterprise data warehouse. SOW1 (Phase I- Proof of Concept) was initiated in April 2011 and has since been completed. This phase demonstrated the value of an enterprise data warehouse for clinical care and translational research and assessed UMMC's institutional governance and infrastructure for purposes of ensuring that the organizational framework for an enterprise launch was in place. The cost for Phase I was \$100,000, which is below the dollar amount requiring Board approval; therefore, UMMC did not seek Board approval. The intention was that once SOW2 was completed and results analyzed, the details of SOW3 would be defined and cost of this final phase determined. The final phase of the project, SOW3, would be brought before the Board for consideration in the future.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

- 2012 – In January 2012, UMMC sought and obtained a CP-1 for the project as the cost of SOW2 placed the total cost above \$250K, which is above the ITS threshold for institutions of higher learning. Additionally, UMMC sought and obtained approval from the Board. The Board staff advised that going forward all UMMC contracts that contemplated a tiered approach, whereby during any tier UMMC expects the cost to be at or above the Board threshold, UMMC should bring the agreement forward for Board approval before the contract can start. The intention was that once SOW2 was completed and results analyzed, the details of SOW3 would be defined and cost of this final phase determined. The final phase of the project, SOW3, would be brought before the Board for consideration in the future. However, SOW3 was not conducted, and the project was canceled.

UMMC's Corrective Action: As of 2012, UMMC is utilizing ITS to conduct the procurement activities for its larger IT procurement and ITS subsequently executes the agreement. ITS also notifies the Board of the contract executed on UMMC's behalf. Additionally, in accordance with guidance provided by the Board staff, UMMC has instructed departments to analyze their projects based on the need of the entire project. Thus if a project is expected to be performed in phases and the total of all phases meets Board policy threshold then the agreement should be submitted to the Board beginning with the first phase. Contracts Administration applies this directive when reviewing contracts to ensure that phased projects are addressed, in terms of Board policy.

- v. Finding: During the review of RFP 1104 awarded to EPIC, effective August 23, 2010 through present, we noted no indication of the opening date for the receipt of RFPs. This RFP was performed by Kurt Salmon, a vendor contracted on behalf of UMMC. The deadline was the only date provided for receipt of RFPs. Per Miss. Code Ann. (1972), § 25-53-5(o), the opening date for receipt of RFPs must be no less than 14 days after the advertisement for such RFP.

We noticed in our review of other RFPs and Bids that the Office of Contracts Administration is managing and properly documenting the RFP process.

Recommendation: We recommend the outsourced vendor understand the procurement process and follow the proper procedures. We recommend the opening date of the RFP receipt process be clearly identified in the advertisement as outlined in the code.

UMMC's Response: Not submitted.

UMMC's Corrective Action: Since 2012, UMMC has utilized ITS to conduct the procurement of a majority of its more expensive information technology needs that cannot be procured through the GPO. Utilizing ITS helps ensure adequate procurement

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

procedures are followed. Since 2013, through coordination of the ITS and Board staff, ITS has notified the Board of all agreements executed on behalf of UMMC.

For most non-information technology needs UMMC conducts request for proposal and bids. In 2012, UMMC implemented various changes to our processes. Many of the changes were based on guidance from DFA and ITS. These changes have included, but were not limited to:

- Improved RFP and bid templates;
- More inclusive consensus groups, to ensure that no one person is too influential in the selection and to include at least one person who has knowledge of what is being sought for purchase by who may not use the product or service daily; and
- Refined consensus scoring for request for proposal which ensures any differences in interpretations of proposals, which may occur between consensus group members, are discussed to ensure that the group arrives at a consensus decision.

- w. Finding: We were asked to provide an overview of the project EPIC and the costs associated. We met with Ellen Swoger, Associate Chief Information Officer, to discuss the project and associated costs. Ms. Swoger provided a spreadsheet of the costs of the project by fiscal year with actual amounts and budgeted amounts.

The spreadsheet was not prepared from accounting records, but from invoices pulled from files. There was no reconciliation of this data to actual accounting department records or to current amounts owed on the project. Budget amounts were projected to future years but with an initial review, we found errors where costs were not fully projected.

Ms. Swoger stated that in order to account for the “add-on” costs for the new modules, the budget has an estimated 20% increase built into the license, maintenance and implementation fees.

We had no basis by which to validate these estimates and would have needed numerous additional hours to verify historical and budgeted costs.

Recommendation: We noted that a complete assessment of this project is beyond the scope of this engagement. To fully understand all the components and interface costs that are associated with this project, we recommend that an extensive review be performed. An IT consultant and an auditor will need to be brought in to get an accurate overview of the costs associated with the EPIC project.

## FINDINGS AND RECOMMENDATIONS – PRE-CONTRACT PROCESS – CONTINUED

UMMC'S Response: Although Epic is fully functional, it is a system that will evolve and change over time, in part due to the nature of information technology, but also in response to governmental mandates/requirements both on the federal and state levels. UMMC agrees that a review by a firm with information technology experience would benefit it by identifying any areas where expense may be better controlled and that it is recouping appropriate funds, in terms of federal money owed for achieving levels of electronic health records compliance.

UMMC's Corrective Action: Not submitted.

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS

As part of our engagement, we reviewed the post-contract process to determine how a contract was processed from commencement to completion. We noted items that were not in compliance along with recommendations that we feel will help improve the post-contract processes. They are listed below:

- a. Finding: During our review, we noted twenty-five (25) contracts, listed on Exhibit 14, that were overspent. The overspent contracts resulted from a lack of monitoring and not having another contract in place upon the expiration of the old contract. In some cases, the IHL Board was alerted of the overspending due to negotiations of a new contract. Often, the spending did not cease because the contract governed a service determined to be critical to providing healthcare.

Recommendation: All contracts should be monitored to ensure that expenditures stay within the contract limits. Contract owners should be charged with the responsibility of maintaining the contract. If a contract is overspent due to improper valuation of the spending at the beginning or due to a spike in patient needs, approval should be requested from the IHL Board upon submission of a new agenda item with the vendor. The contract owners initiate requests for approval of additional funds from the IHL Board and explain why their contract was overspent.

UMMC's Response: Response: Many of the contracts included on Exhibit 14 have been addressed previously in the response document. It is important to reiterate that there are items on Exhibit 14 which were purchases of services made pursuant to a PO, with no contract, and there are items whose overspend have been previously presented to the Board.

UMMC's Corrective Action: As mentioned in UMMC's Response to the General Observations and Recommendations section of the Draft report, UMMC is currently working to implement the Lawson Contracts Management (LCM) module to assist with appropriate post contract management.

- b. Finding: As stated in the ITS Procurement Manual 009-025, CP-1 Revisions (Replacement CP-1s), it is necessary to contact ITS for revised or extended approval if any of the following occur:
- major changes to the configuration;
  - the vendor or vendor name changes;
  - the CP-1 has expired and payments still need to be made; and
  - the cost exceeds the life cycle cost authorized on the CP-1.



## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

We noted six (6) contracts that needed a replacement CP-1. Of the total needed, four (4) contracts had payments made after the end date of the CP-1, and two (2) contracts had costs exceeding the life cycle cost authorized on the CP-1. Exhibit 15 is a summary of these contracts.

Recommendation: We recommend a request for a replacement CP-1 be obtained prior to any payments being made after the end date of the CP-1. We also recommend a replacement CP-1 be requested from ITS for contracts with expenditures that will exceed the previously approved amount.

UMMC's Response: Of the six agreements listed on Exhibit 15, three have been corrected in terms of ITS approval. All three have now been presented to the Board.

- PAR Excellence - On April 30, 2009, UMMC received approval from ITS for \$1,821,298.00 with CP-1 - 20090455. On May 13, 2009, the IHL Board approved UMMC to enter into an agreement with PAR Excellence in the amount of \$1,821,298.00. This agreement was for the initial purchase of the hardware and software for the system. In addition, Exhibit B of the agreement was the support services. Both agreements were in effect until project completion.
- Nuance Communications, Inc. (Nuance) - This is software for voice recognition used in dictation of radiology reports. Purchases were as follows:
  - June 2010 – UMMC already had an agreement with Nuance for the Verify Systems. In 2010 UMMC entered into a new multiyear agreement with Nuance and per a Nuance order form purchased the RadWhere voice recognition used for dictating radiology reports. This agreement was approved by IHL in May 2010 and superseded the previous agreement with Nuance. The total cost approved by the IHL was \$619,500.00. UMMC did obtain a CP-1 from ITS in the amount of \$619,500.00. Due to a lack of monitoring of the contract, this amount was surpassed. As of October 2014, UMMC exceeded the approved amount by \$74,200.00.
  - November 2014 – UMMC received approval from the Board for more funds to continue its current agreement with Nuance and retroactive approval for the overspent amount. UMMC did obtain from ITS a revised CP-1(s), which was included in the Nuance packet submitted to the Board office.
- Lawson Software America (now Infor US, Inc.) - Lawson/Infor is a software company that provides the accounting, payroll, and human resource management software and support currently used by UMMC. A summary of the purchase history is as follows:

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

- 2002 - Original purchase of the Human Resources and Payroll system software.
- 2006 - UMMC purchased the Absence Management software module and entered into a master agreement with Lawson to allow for the purchase of future software modules.
- 2008 - In November, the IHL Board approved UMMC's purchase of the Enterprise Resource Planning software suite and maintenance of the software. This software is used in the areas of finance, purchasing, and business intelligence. The approved cost of the agreement was \$2,505,800.00.
- 2011 - In June, IHL approved UMMC to enter into a software maintenance plan agreement. The agreement term was for a period of three years beginning June 1, 2011, and ending June 30, 2014, with a total approved cost of \$1,648,021.63.
- 2012 - In June, IHL approved an amendment to upgrade to the software maintenance plan with a cost of \$125,000.00, which increased the total cost of the agreement to \$1,773,021.63. At that time, it was UMMC DIS's understanding that the CP-1 currently in place would cover this upgrade, as the agreement provided for upgrades and UMMC had not spent the IHL and ITS approved amount. However, in late 2012, after working with ITS on another amendment to Lawson, ITS clarified that the previous CP-1 did not cover the June 2012 need and, as a result, ITS provided a CP-1 to cover the June 2012 purchase in addition to the second upgrade.
- 2013 - In October, IHL approved UMMC's request for two amendments and retroactive approval of an emergency purchase.
  - The amendments to the Master Terms of the Software End User License Agreement were for the following:
    - Reconciliation of the number of licensees for the Management and Employee Self-Service software. UMMC increased the number of licenses from 7,500 to 10,000, increasing the cost of the agreement by \$108,500.00. ITS did provide a CP-1 for this cost.
    - Sublicense of the BSI Software System upgrade to the new platform, allowing the migration of the tax factory software to the new Lawson/Infor Platform. This increased the cost of the agreement by \$119,350.00. ITS did provide a CP-1 for this cost.

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

- Total Cost approved by the Board was \$1,892,371.63, which is less than the individual amounts added together.
- UMMC placed an emergency purchase for Micro Focus Servers in November of 2012 to allow for the upgrade to the current operating platform. This also included using a MicroFocus Compiler and Runtime license upgrade for a cost of \$12,840.00. The emergency purchase was included in the October Agenda request. ITS did provide UMMC with a CP-1 for this cost.
- During June 1, 2011, through June 30, 2014, the Board approved a total spend in the amount of \$1,905,211.63. As of June 30, 2014, UMMC expended \$1,891,139.90.
- 2014 – At the June 2014 Board meeting the Board approved UMMC to enter into a three year maintenance plan, which was an addendum to the Master Terms. The maintenance plan was \$1,782,088.50, for a total approved amount of \$3,674,460.13 by IHL.

UMMC's Corrective Action: Since the expiration of the previous agreement with PAR Excellence, that company has continued to maintain the system for UMMC, while negotiations for a new agreement were underway. UMMC sought and received approval from ITS for the project. The new agreement with PAR Excellence was approved by the Board at the November 2014 Board meeting. As part of the request, UMMC sought retroactive approval of the amount spent on the purchase order during the interim period.

UMMC has corrected the issues with Nuance. UMMC received approval from the Board for more funds to continue its current agreement with Nuance and retroactive approval for the overspent amount. UMMC did obtain from ITS a revised CP-1(s), which was included in the Nuance packet submitted to the Board office.

According to UMMC's calculations of the CP-1 applicable to Lawson, UMMC spent just under the total amount approved for Lawson between June 2011 and June 2014.

- c. Finding: The contract for Hospital Housekeeping Systems, Inc., effective May 1, 2010 through April 30, 2013, required the vendor to reconcile invoice payments and provide UMMC with a credit for overbillings. This was not being done. UMMC missed multiple years before it was corrected. In April, 2013 UMMC received \$854,000 in overbillings for the period from February 2004 to December 2012. This receipt does not include credit for the final four months of the contract in 2013.

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

Recommendation: Contracts should be monitored regularly to ensure that UMMC is getting reimbursed for what they contracted to receive. UMMC should implement a process to ensure that the quarterly and annual reconciliations are performed by the vendor on a timely basis. A UMMC staff member, with access to revenue accounting records, should be assigned to monitor these reconciliations and receipt of any return receipts due.

UMMC's Response: Hospital Housekeeping Services (HHS) is the previous provider for hospital environmental services. The most recent agreement with HHS was for the period of May 1, 2010, through April 30, 2013; however, UMMC had maintained a contract with HHS since 2004. As part of the contract, UMMC was to reconcile the invoices to the payments made and, if UMMC had overpaid for services during that period, UMMC was to receive credit for said payments. The history is as follows:

- 2012 - In late 2012, Contracts Administration worked with the hospital administrator over environmental services to formulate a request for proposal (RFP) for hospital environmental services. During this period, it was discovered that HHS owed UMMC for overpayments it had made. UMMC legal worked with the hospital administrator to ensure that all credits due UMMC through the reconciliation were received.
- 2013 - Due to the way the department created the specifications section of the RFP, Contracts Administration canceled the RFP and re-issued a new RFP with corrected specifications. Additionally, the new RFP included the environmental services for University Physicians clinical areas, such as the Pavilion.

UMMC attempted to send a short term agreement with HHS to IHL for approval; however, the IHL staff suggested that instead of presenting a new agreement to the Board, UMMC should pay on PO during the interim period instead.

In April 2013, the agreement with HHS expired and UMMC went on a month to month payment via PO through December 28, 2013. During this time, UMMC paid HHS \$3,434,599 for services rendered.

Additionally, in August 2013, HHS issued its final credit memo, which addressed the credits due through the end of the previous agreement or April 2013. UMMC believes that it has received all credits due from HHS.

As a result of the RFP, a new vendor ABM Healthcare doing business as HHA was awarded the contract and the subsequent agreement was approved by the IHL. The effective date of the contract was December 29, 2013. In the HHA agenda item UMMC

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

submitted to the IHL, UMMC explained what had occurred in terms of the processes mentioned above, except for the fact it had submitted an interim agreement. Also, UMMC explained the credit balance and disclosed the interim payment amount, as stated above.

UMMC's Correction Action: LCM has the capabilities to set up payment matrices and other variables that contracts may contain. By creating these within the system, Contracts Administration will have the capabilities to monitor contracts for compliance with the variables. Such capabilities will help UMMC avoid issues, such as what occurred with the HHS contract. Additionally, UMMC will take into consideration MCL's recommendations for further monitoring and reconciliation by finance.

- d. Finding: Miss Code Ann. (1972) § 31-7-305, requires that suppliers be paid within forty-five (45) days of receipt of goods, in good condition, or receipt of invoice, whichever is later. During our review, we noted instances where payments of invoices were not made within the required timeframe. One of the primary reasons for delayed payments appeared to be invoices not being approved by invoice approvers in a timely manner. Presently, there is no turnaround time set for invoices to be approved and returned to the Accounts Payable department for payment. Additional delays result when the Accounts Payable Department holds invoices that do not match the lines set up in Lawson.

According to Miss. Code Ann. (1972) § 31-7-305, an interest penalty of one and one-half percent (1½%) per month is required to be added on all invoices, which are not paid within the forty-five (45) day period. Although we did not become aware of vendors pushing this issue or requiring payment, UMMC is legally responsible for these penalties.

Recommendation: We recommend that the contract owners and invoice approvers continue to review and approve invoices. There should be a strictly enforced turnaround time established system-wide for returning invoices to the Accounts Payable Department in a timely manner. Invoice approvers should be conscious of the time frame required by law. All contract owners should respond promptly to inquiries from the Accounts Payable Department.

The Accounts Payable Department should be accountable for ensuring that invoices are paid within the required forty-five (45) day period. In Lawson, lines for contracts should not be set up exactly like the invoices, but set up in a way that allows the Accounts Payable Department to determine that the invoice is correct. Any issues slowing the approval process should be reviewed by the Office of Contracts Administration.

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

UMMC's Response: UMMC is working to develop and implement solutions which will help it avoid late payments. As part of that process, UMMC will take into consideration MCL's recommendations.

UMMC's Corrective Action: Not submitted.

- e. Finding: During our review of the contract with Carousel Industries, effective June 20, 2011 through June 19, 2014, we noted that payments were made on the equipment purchased and implementation services. The contract included support and service costs for a two year period. There was no record of payments made on the support and service costs. Upon further investigation, we found that the project was not completed and there was no evidence that a formal termination was performed.

Recommendation: We recommend that the contract terms be monitored to ensure that the commitment of the contract is met. If the project was not finished or the contract was terminated, then a formal termination letter should have been sent and the PO should have been closed in Lawson and the proper documentation uploaded to the file.

UMMC's Response: This communications project was conducted utilizing Carousel Industries, an approved communications vendor through ITS. Upon further review, it has been determined that after purchase of equipment and implementation services, UMMC did not move further with the project. As such, there were no payments made for continued services/maintenance.

UMMC's Corrective Action: For cancelation of future information technology projects, UMMC's Department of Information Systems has been instructed to notify Contracts Administration and UMMC Legal staff of the need to terminate any contracts related to the projects. Contract Administration and UMMC legal will notify the vendor through an appropriate means, such as a notice of termination.

This direction applies to any contract owner who desires to terminate a contract. As such, Contracts Administration has worked to education contract owners of the requirement to work with Contracts Administration and UMMC legal to legally terminate a contract.

- f. Finding: During our review of the Intuitive Surgical, Inc. contract effective December 15, 2009 to December 14, 2014, we noted that a rebate was due to UMMC in the amount of \$30,000. The rebate was payable after 60 days from the effective date or upon full payment of the equipment. UMMC was unable to confirm that this rebate was received.



## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

Recommendation: We recommend implementing a process of tracking the receipt of the rebate negotiated in the contract. We understand that contract owners do not have the capabilities to make sure the rebate is received, however; we recommend they alert the assigned department when UMMC qualifies for a rebate.

Current plans are to implement a Contracts Management System in spring of 2015, which is expected to systematically track rebates on any future contracts.

UMMC's Response: Not submitted.

UMMC's Corrective Action: As previously mentioned in UMMC's Response to the General Observations and Recommendations section of the draft report, the Lawson Contracts Management (LCM) module has the capabilities to monitor the receipt of rebates and discounts and to ensure that negotiated rebates and discounts are received. The receipt of rebates has been a manual process for UMMC, but LCM will help to convert many manual steps into the electronic process, which facilitates appropriate checks and balances. Additionally, as UMMC revamps its procedures regarding rebates, it will consider MCL's recommendations in regards to the handling of any physical rebate checks by UMMC finance.

- g. Finding: In reviewing the Level 3 Communications contract, effective July 1, 2010 through June 30, 2013, we found that neither ITS nor IHL Board approval was obtained. The contract ended June 30, 2013, and is continuing on a month-to-month basis until a new contract is negotiated. The contract did not have specific terms providing for contract dates or amounts. We used the amount and contract period noted on the request by the department. The request for contract amount was \$165,505 for three (3) years, total of \$496,592. However, the contract spend amount totaled \$632,734 including a month-to-month amount of \$137,003. With this expenditure level, the contract should have had approval from ITS and the IHL Board under the proper procurement process.

Recommendation: Prior to award, the contract should have been analyzed to ensure that it went through the proper channels for approval. This contract should have been submitted to ITS for approval and obtained a CP-1 along with approval from the IHL Board. Proper procurement, whether it is a RFP, Sole Source, or negotiated by ITS, should have been performed. Had the contract owner carefully monitored this contract, this overspending and expiration could have been prevented.

UMMC's Response: Level 3 provides back-up fiber optic internet lines that offer a redundant source should the main AT&T lines connecting the Telehealth Offices at County Line road and the Jackson Medical Mall to the main campus suffer a service interruption. According to the information Contracts Administration found, the only other



## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

lines installed were AT&T lines. UMMC ultimately contracted with Level 3 for the redundant line. Fiber optic cabling is a telecommunications and, in accordance with ITS policy, the Institutions of Higher Learning cannot sole source a telecommunication product on their own. All such purchases should be handled through ITS. The contract provided for the lease of the lines and therefore, the contract should have been approved by the Board.

UMMC's Corrective Action: UMMC is working with ITS to find a solution going forward. UMMC will bring any contracts to the Board as necessary to remedy the situation. UMMC believes that the centralization of contracts through Contracts Administration has provided a mechanism to prevent these types of situations from occurring in the future, as Contracts Administration will review procurement before a contract can be processed for review.

- h. Finding: We noted two (2) sublease contracts between UMMC and University Physicians, PLLC in which UMMC did not receive the monthly rental payments. University Physicians merged with UMMC on September 1, 2012. We noted that UMMC does not have an Accounts Receivable department or a process in place to track that payments have been received. We have listed detail of the subleases as follows:

- University Physicians, PLLC lease for space located in the Lakeland Medical Center – December 1, 2011 to November 30, 2021, contracted amount \$9,987,906; and
- University Physicians, PLLC lease for space located in the Jackson Medical Mall – February 1, 2012 to January 31, 2015, contracted amount \$557,605.

The total revenue not received under these sublease contracts amounted to \$482,970.

Recommendation: UMMC should develop a process for tracking earnings on revenue contracts. Internal controls should be in place to ensure all payments are received. Establishing an Accounts Receivable department with a person assigned to track revenue will help ensure that UMMC collects funds that are due.

UMMC's Response: As previously mentioned in UMMC's Response to the General Observations and Recommendations section of the draft report, UMMC has a robust patient accounts receivable and grants accounting systems; however, its processes regarding how it receives other types of income are currently under review, and UMMC will provide a report to the IHL as to its progress in establishing internal controls for accounts receivables.

UMMC's Corrective Action: Not submitted.

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

- i. Finding: In our review of Halogen Software Inc., effective May 1, 2013 through December 27, 2013, we noted this contract was Addendum 5 & 6 of the original contract which commenced on December 28, 2007. We observed that these addenda, along with the original contract, did not obtain the proper approval from ITS with a CP-1. There was no evidence of a CP-1 from ITS or supporting documentation available to allow us to determine whether proper procurement was performed.

Recommendation: The original contract along with the addenda should have been sent to ITS for approval. Proper procurement should have been performed, whether issuing a RFP, Sole Source, or through negotiation by ITS. Once this came to the attention of the Office of Contracts Administration, they began the process of working with ITS to get this contract corrected.

UMMC's Response: Measures are being taken by UMMC DIS to address its need for an employee performance system that will interface with the current Lawson system. UMMC has requested permission from ITS to conduct a Request for Proposal. If approved, UMMC will issue a Request for Proposal to select a vendor for an employee performance system in compliance with ITS procurement policy.

UMMC's Corrective Action: Not submitted.

- j. Finding: Item removed.

- k. Finding: During our review of RJ Young, we noted the following history, "In June 2008, the original agreement was for copiers over the entire University for a three year period. After seeing the savings that UMMC received from the copier agreement, an agreement was negotiated for printers in April 2010 for a three year period. In July 2011, UMMC issued an RFP for one provider of both printers and copiers for the entire University. RJ Young was selected as the best provider. The response from Xerox did not include the costs to replace all devices already in service through RJ Young. In 2012, the contract was taken to the IHL Board for approval and rejected since this was not the lowest bid. The decision was made to have ITS handle all IT contracts. A RFP was issued twice and cancelled twice by ITS. As of 2014, DIS decided that all devices will be purchased through state contract as long as the devices interface with what is already in place."

We noted that UMMC received one invoice from RJ Young listing all devices UMMC is leasing by the agreement number. In order for UMMC to ensure they are properly billed, DIS obtains a master spreadsheet with all the devices leased from RJ Young and reviews and approves the invoices consistently. DIS communicates with the Accounts Payable Department and gives it the approval to make a payment on the invoice. Per our discussion with Ms. Merry, there are two POs set up, one for the printers and one for

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

the multi-functioning devices. We obtained the spend amount from the Accounts Payable Department with the understanding that the POs include what was contracted with RJ Young along with what was paid outside the contract. The amount paid for printers total \$2,653,861, and the amount paid for multi-functioning devices total \$4,322,899.

Recommendation: The problems outlined above exemplify why UMMC needs a rigorous contract processing system. This process should include identifying the needs of the requesting departments, a careful scrutiny by the Value Analysis Department, determination of purchasing options, and a well written RFP, if needed. We believe this will result in much better business decisions and savings for UMMC.

With a well-organized contract processing system, the requesting department should work with a liaison from Value Analysis Department, Office of Contracts Administration, Legal Department, and Compliance Department. This will help facilitate a better understanding of the departments' needs and result in a more accurate and detailed bid or RFP.

UMMC'S Response: The history and purchases from RJY are as follows:

- 2008 - UMMC first entered into an agreement with RJY in June 2008. This agreement was to establish a Facilities Management Project that was customizable to UMMC. This agreement covered only copiers at that time. Pursuant to the agreement, UMMC would lease copiers from RJY, and RJY would provide supplies and services for those copiers. The services would include one RJY employee to be located at UMMC to help with daily maintenance needs of UMMC. The RJY copiers would replace all current owned and leased copiers on campus for which it could provide a comparable product. The purpose of the agreement was to reduce copier costs and to have one vendor responsible for the majority of the copiers on campus. The term of the agreement was three years.
- 2010 - UMMC entered into a second agreement with RJY in April 2010. This agreement combined with the June 2008 brought together all multifunctional devices (MFD) (with scanning, faxing, and printing capabilities) and the existing leased copiers into one agreement. The intent was to find additional cost savings. This agreement was for a term of three years.
- 2011 - As the previous agreements showed considerable savings to the institution, UMMC conducted a RFP for a combined services agreement. The resulting award was to RJY. The agreement was taken to the IHL in February 2012 for approval; however, the IHL staff did not accept the selection and

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

thought it unsupportable. UMMC withdrew the agreement from further consideration.

- 2012 to present - UMMC asked ITS to conduct a RFP on UMMC's behalf, but ultimately UMMC canceled the RFP twice. UMMC is still paying monthly for the copiers/MFDs that are already on campus, but there is no written agreement. UMMC's DIS had confirmed that RJY is charging less than the state negotiated pricing on the products/services for the RJY printer/copiers currently have on campus.

UMMC'S Corrective action: Going forward UMMC's DIS has chosen not to seek a document management vendor. All printer/copiers needs are now purchased by the individual departments through an acceptable State contractor. Current RJY printers and copiers are paid on a monthly basis and are not under any service or lease contract at this point. Services are simply paid as rendered.

- I. Finding: The scope of our engagement included payments on a five-year service agreement with Elekta, Inc., effective September 1, 2009. The approved cost of this agreement totaled \$1,888,125.00. This agreement was approved by the IHL Board on April 16, 2008, and provided service for annual hardware and software maintenance and support fees on various equipment.

Because of the ramifications in the contract referenced above, we expanded our scope to include the bundled equipment contract, with an approved cost of \$8,372,512.72. This contract was also approved by the IHL Board at the same meeting. The equipment included on the approved contract was as follows:

- Elekta Synergy S linear accelerator,
- Miscellaneous upgrades to installed Synergy S linear accelerators,
- HexaPOD EVO upgrade to installed Synergy S linear accelerator,
- XVI Upgrade to installed Synergy S linear accelerator,
- IMPAC Electronic Health Record (software),
- LAP Oncology Solutions (Third Party Equipment), and
- Leksell Gamma Knife PERFEXTION.

This contract provided an expected delivery date of September 2008, except for the Gamma Knife which had an expected delivery date of June 2009.

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

The bundled equipment contract required the following payment schedule:

- \$1,500,000.00 paid at the Customer's execution, no later than April 30, 2008;
  - \$3,436,256.00 paid on or before September 15, 2008; and
  - \$3,436,256.72 paid on or before September 15, 2009.
- \$8,372,512.72 Total

It should be noted that the payment schedule requires a pre-payment of \$1,500,000.00, prior to the delivery of this equipment. Based on our review of accounting data, UMMC made payments on this bundled equipment contract as follows:

- \$1,500,000.00 on April 30, 2008;
  - \$3,436,256.00 on September 30, 2008; and
  - \$2,920,818.22 on October 19, 2009.
- \$7,857,074.22 Total paid

A final payment of \$515,438.50 is due when the Acceptance Test Protocol for the Gamma Knife is successfully completed.

We attempted to verify receipt of the equipment. We understand all items except the Gamma Knife have been received and were placed in service. UMMC has not taken receipt of the Gamma Knife for different reasons:

First, on February 3, 2009, UMMC submitted a certificate of need(s) (CON) request to the Mississippi State Department of Health (MSDH), for the Elekta Synergy S linear accelerator but did not include the Gamma Knife. Approval was granted on July 22, 2010. On August 10, 2010, a lawsuit was filed by Jackson HMA, LLC, Mississippi Baptist Medical Center, Inc., and St. Dominic-Jackson Memorial Hospital which caused UMMC to delay submitting a CON application for the Gamma Knife. The Supreme Court ruling on July 14, 2012, stated "*MSDH has the authority to create a 'teaching' exception regarding when UMMC is required to obtain a CON, and hold further that MSDH acted within its authority in determining that UMMC was not required to obtain a CON before acquiring the linear accelerator at issue.*" UMMC held on its submission for CON for the Gamma Knife pending the outcome of the CON for the new accelerator.

Second, the original location selected for the Gamma Knife had to be changed due to structural issues of the space. Specifically, due to the weight of the Gamma Knife, it was decided that the basement could not support the Gamma Knife, as there exists a subbasement just below.

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

We reviewed payment records maintained by UMMC, confirmed payments made with the vendor, and requested copies of selected invoices supporting large payments from the vendor. The invoice supporting the third payment, in the amount of \$2,920,818.22, was the only invoice which specifically indicated payment being made for the Gamma Knife (machine #6059). The two prior invoices referenced the bundled equipment contract. However, from examination of invoices and confirmation with the vendor, the balance remaining of \$515,438.50 was determined to be the final payment on the Gamma Knife.

We were informed that UMMC is working to provide adequate space needed to house the Gamma Knife. Plans are being made with the vendor to receive the equipment once space is available.

The approved five-year service agreement, totaling \$1,888,125.00, provides hardware and software maintenance and support fees as follows:

- \$1,125,000.00, covering the Gamma Knife; and
- \$763,125.00, covering the IMPAC Electronic Health Record (Software).

Records indicate that no maintenance and support fees have been paid on the Gamma Knife. A total of \$733,674.00, has been paid on the IMPAC Electronic Health Record (Software). Thus, this maintenance agreement has not been overspent.

UMMC executed annual hardware maintenance and support service agreements for the accelerators. During the period from December 2010 through July 2014, UMMC has made payments for the accelerators, as follows:

- E1 – Serial No. 151130; total paid \$ 694,548.09
  - E2 – Serial No. 151250; total paid \$ 761,414.70
  - E3 – Serial No. 151828; total paid \$ 355,616.40
- Total \$1,811,579.19

These agreements were created on separate POs and were not properly approved as required by IHL Board Policy 707.01. We understand the Office of Contracts Administration is working to correct these agreements.

Recommendation: UMMC should submit a corrective action plan to the IHL Board. This plan should include:

- Plans to provide adequate space for the Gamma Knife;
- A realistic timeline for having all equipment purchased under this contract operational;

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

- Retroactive approval of annual hardware maintenance and support service agreements; and
- Identification of any costs incurred as a result of this delay.

With future purchases, pre-payments should be properly communicated and requested prior to the execution of the contract.

When applicable, in accordance with Miss. Code Ann. (1972), §41-7-191(1), UMMC should seek review of determinability by MSDH prior to negotiations with a vendor for items requiring a CON.

UMMC's Response: There have been various products/services purchased from Elekta over a period of eight years. These purchases include the three accelerators, hardware added to the accelerators, gamma knife, and impact software.

Contracts Administration was unable to find how the original accelerator was purchased, but subsequent purchases have been sole sourced, from what can be determined. The purchase and history of the Elekta contract(s) are as follows:

- 2004 – Elekta Accelerator One (E1)
  - 2004 – UMMC purchased its first linear accelerator from Elekta. It provided for a one year warranty after which UMMC entered into service contracts as follows:
    - 2005-2006 – One year service set up on one PO
    - 2006-2007 – One year service set up on one PO
    - 2007-2010 – Three year service with all three years set up on one PO
  - 2010 – UMMC attempted to combine the service needs into one contract for service for all three accelerators. Due to concerns of the IHL staff as to why UMMC was submitting this agreement so close to the 2008 agreement, which is discussed below, UMMC was forced to pull the contract from the IHL agenda in 2010.
  - 2010 – 2011 – One year service set up on one PO
  - 2011 – 2012 – One year service set up on one PO
  - 2012 – June 2013 – One year service set up on one PO
  - July 2013 – October 2013 – Bridge agreement in hopes of entering into a new agreement with Elekta



## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

- November 2013 – June 2014 – New agreement to get UMMC through 2014. Elekta was slow to move on sending a newly structured contract. This contract will be a Master agreement with various schedules - one for each accelerator.
- 2006 – Elekta Accelerator Two (E2)
  - 2006 – UMMC purchased its second linear accelerator from Elekta. It provided for a one year warranty after which UMMC entered into service contracts as follows:
    - 2007-2010 – Three year service with all three years set up on one PO
  - 2010 – UMMC attempted to combine the service needs into one contract for service for all three accelerators. Due to concerns of the IHL staff as to why UMMC was submitting this agreement so close to the 2008 agreement discussed below, UMMC was forced to pull this from the IHL agenda in 2010.
  - 2010 – 2011 – One year service set up on one PO
  - 2011 – 2012 – One year service set up on one PO
  - 2012 – June 2013 – One year service set up on one PO
  - July 2013 – October 2013 – Bridge agreement in hopes of entering into a new agreement with Elekta
  - November 2013 – June 2014 – New agreement to get UMMC through 2014. Elekta was slow to move on sending a newly structured contract. This contract will be a Master agreement with various schedules - one for each accelerator.
- 2008 – UMMC entered into the agreement to purchase products/services/software upgrades from Elekta in 2008. In terms of hardware, the agreement included the following hardware components:
  - Hexapod – to be placed on one of two accelerators we already owned (expected delivery date 2008)
  - XVI – to be placed on one of two accelerators we already owned (expected delivery date 2008)
  - New accelerator (expected delivery date September 2008)
  - Gamma Knife (expected delivery date June 2009)

The total cost of the agreement was \$8,372,512.72.

In terms of service, the 2008 agreement provided service for five (5) years on the Impact Software at \$763,125.00 and the Gamma Knife at \$1,125,000.00. Total cost of service

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

was \$1,888,125.00. Again, as mentioned above, the linear accelerators had separate service packages. Once the warranty on the hexapod and XVI purchased under the 2008 agreement expired, the service on those became part of the respective service package of the accelerator to which the hardware was attached.

UMMC had to construct space in which to locate the gamma knife. Originally, UMMC planned to place the gamma knife in the basement of the main hospital; however, it was discovered that, due to the subbasement, the location would not support the weight of the gamma knife. UMMC began plans to find an alternate location, starting with an area located in the Acute Towers area of our facility.

At the same time that UMMC was planning and preparing an appropriate space for the gamma knife, which was expected to be delivered in June 2009, UMMC was also taking steps to ensure it followed all rules regarding certificate of need(s) (CON). The first CON was filed specifically for the accelerator, which was to be delivered September 2008. It was anticipated that UMMC would file a CON application for the gamma knife prior to its delivery in 2009.

UMMC filed with the Mississippi State Department of Health (MSDH) an application for a CON for the newly purchased linear accelerator. The timeline of that process is as follows:

- **2/03/09** UMMC CON request filed
- **7/08/09** HMA and St. Dominic's request public hearing on UMMC CON request
- **6/09/10** Second AG Opinion issued
- **7/22/10** DOH grants UMMC's second CON request
- **8/10/10** Lawsuit filed by HMA, St. Dominic's and Baptist Medical Center
- **1/19/11** Trial Court Decision issued
- **2/09/11** Petition for Interlocutory Appeal of Trial Court decision filed
- **6/14/12** Supreme Court Decision issued
- **10/10/12** Supreme Court Order denying rehearing issued
- **10/25/12** Supreme Court Mandate issued (This is the official end of the litigation.)

After the application for a CON for the accelerator was protested, it became evident that it was in UMMC's best interest to delay submitting an application for CON for the gamma knife. By the time the CON issues were settled in early 2012, UMMC had entered into discussions with HMA to utilize HMA's gamma knife at HMA's Central Mississippi Medical Center. In 2013, UMMC's plans with HMA were changing and UMMC has, since that time, been actively developing plans for implementing the gamma knife.

## FINDINGS AND RECOMMENDATIONS – POST-CONTRACT PROCESS – CONTINUED

UMMC's Corrective Action: UMMC is in the process of renegotiating its contract with Elekta and expects that to be completed soon. The new format will include a set of master terms and conditions under which UMMC will enter into various purchase and license agreements as necessary for the various Elekta products.

## ERROR PROJECTION

As part of our engagement, we selected a random sample of contracts with expenditures of less than \$250,000, executed between July 1, 2012 and June 30, 2014. Our sample was based on our firm's standard methodology, discussed on page 8.

The exceptions noted in our random sample were found on contracts with an aggregate contract value of \$1,544,802. This represents the total value of all sampled contracts containing an exception for at least one of the attributes tested in the sample.

It should be noted that the sample included only contracts executed in the last two years. It is significant that none of these contracts were overspent. This is attributed to the recent changes made in the contracting process and/or the fact that some of these contracts are still active and have not been completed.

The total value of all contracts selected for our random sample was \$5,404,734. Projecting the errors found in the sample over the entire population produces a projected error of approximately \$11,953,000. This represents the expected value of contracts containing at least one error.

## PLANS FOR FUTURE CONTRACTS MANAGEMENT

During the last stages of our review we discussed the future plans of the pre-contract routing process with Ms. Baldwin. We understand a recommendation was made by the Task Force on November 2, 2012, for the Office of Contracts Administration to create a proposed plan to have involvement in the procurement role on the front-end. This proposal was submitted for approval in February 2013. The proposal was not approved but rather a different direction was sought. It was decided that the buyers in the Supply Chain Department would work with the other departments to fill this role. Essentially, this suggestion from the Task Force was not fulfilled in the way it had been suggested.

With the addition of Mr. Mitch Harris, Chief of Supply Chain, in spring 2014, the need for an upfront procurement process was apparent. We met with Mr. Harris along with Ms. Baldwin and discussed the new pre-contract process. They worked together to create a defined process for the departments to follow. Once the process has been implemented, all contracts will start with Strategic Sourcing.

We have included in Exhibit 16 an overview of the new pre-contract process which is being implemented by the Supply Chain Department and the Office of Contracts Administration. This process will have the divisions of the Supply Chain Department involved on the front end. Each department will be assigned to a “Value Analysis Team” that will have a support representative liaison from the following: value analysis, strategic source manager, scribe, buyer, and contracts administration. These team members will assist the department from the beginning of the contract process.

To date, the teams have met twice in September 2014 for training and plan to continue meeting in the subsequent months. The teams will begin opportunity identification and prioritization in October 2014 and preliminary analysis and pursuit in November/December 2014. Starting in January 2015, the teams will report to the Value Analysis Steering Committee on a monthly basis.

We also discussed in length the post-contract process and the Contract Management System that is set to go live in spring 2015. This management system will assist the Office of Contracts Administration in oversight of the contracts. The contract owners will still be charged with the responsibility of monitoring their contracts, but this will allow the Office of Contracts Administration to help alert them when they are nearing expiration and/or overspend as well as expected rebate amounts.

The Office of Contracts Administration has made progress in the contract process by clearing up past errors when found, improving new contracts, and working to correct lapses and overspends as they become aware of such. We have observed that UMMC has hired new personnel to fulfill the areas of the Finance Department, Legal Department, Supply Chain Management, Department of Information Technology, etc. We feel as though in time the contract process will continue to improve.

The Office of Contracts Administration provided us with the accomplishments and future goals they are striving for. We have provided that in Exhibit 17.

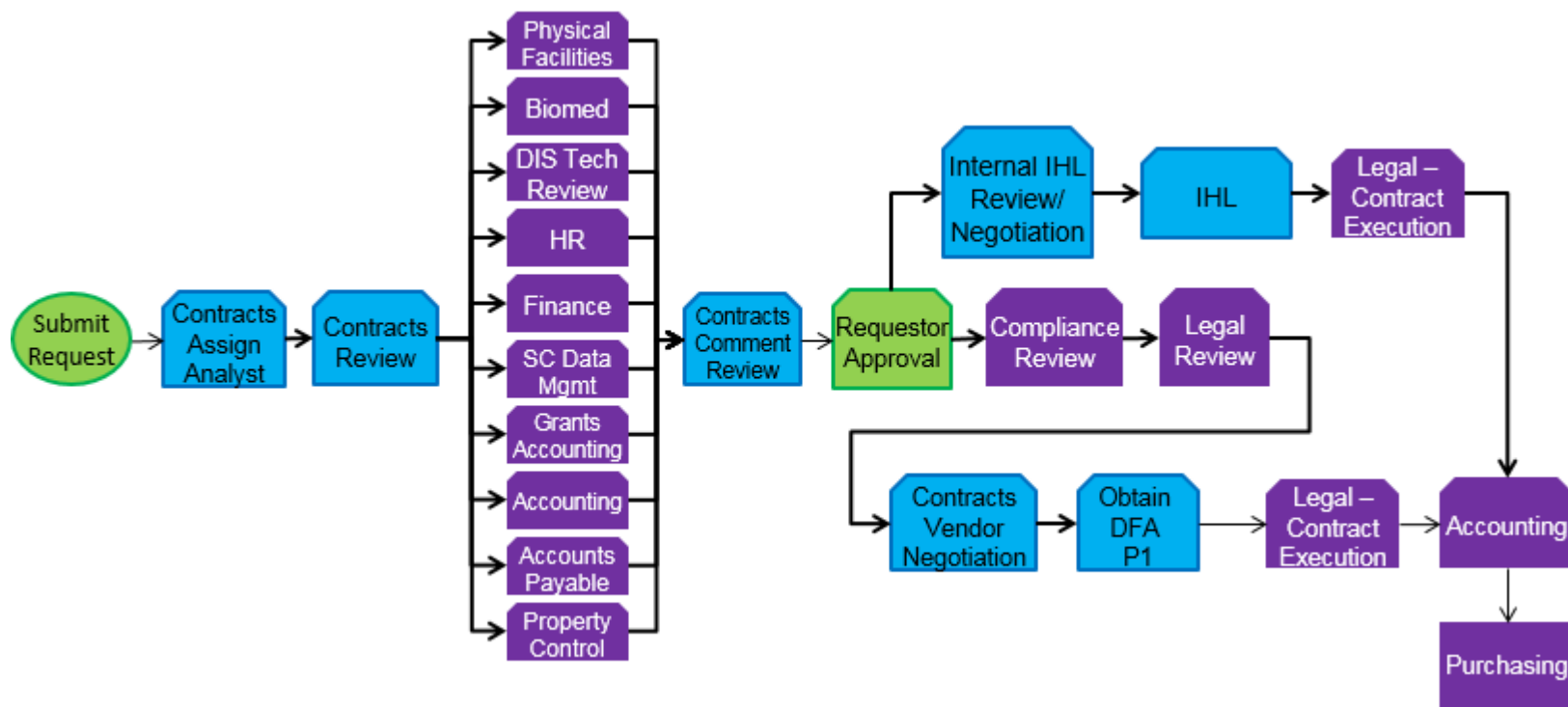
## CONCLUSION

This report results from testing performed on UMMC's campus during the months of March through September 2014. We wish to express our appreciation for the opportunity to perform this work and for the assistance we received during every step of this engagement. We especially appreciate the assistance provided to us by Ms. Stacy Baldwin, Ms. Sally O'Callahan, and the Office of Contracts Administration staff. We could not have completed this project without their assistance and willingness to help gather information and documents and for putting us in contact with knowledgeable UMMC personnel.

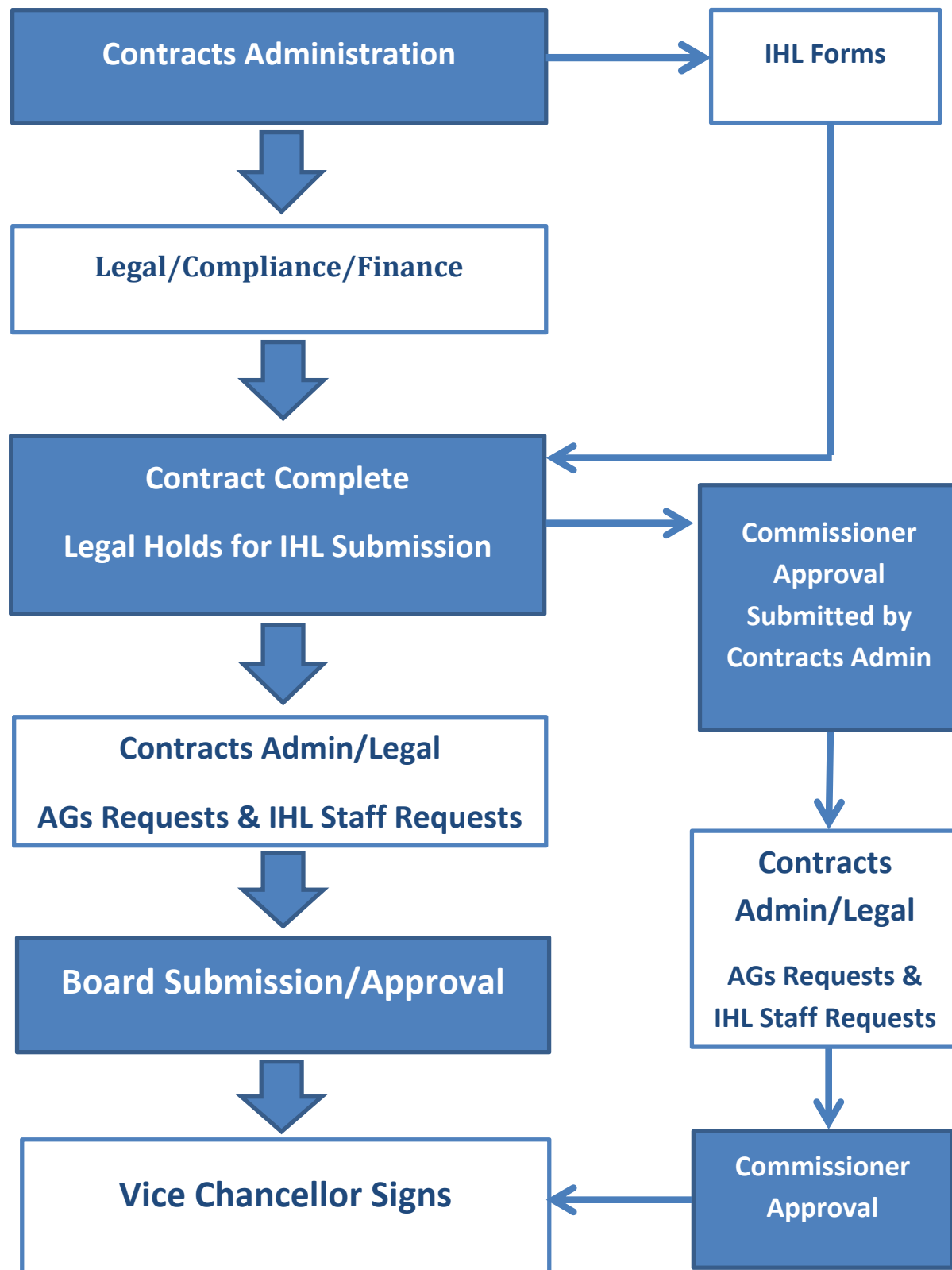
## EXHIBITS



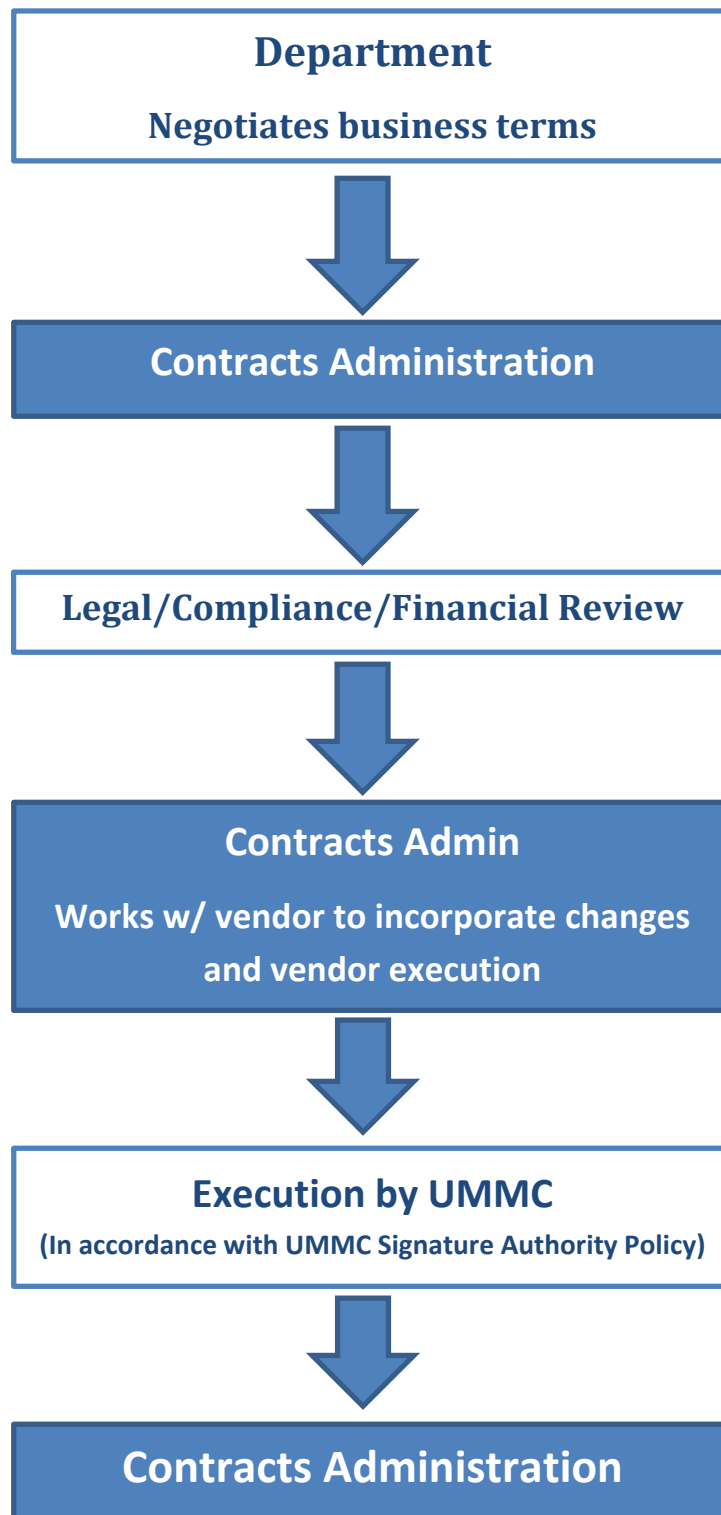
# UMMC's Internal Contract Routing/Approval Process



# UMMC'S Internal Process for IHL Contracts



# UMMC'S Internal Process for Non-IHL Contracts



## Summary of Procurement Requirements:

	Amount of Purchase	DFA Requirement	ITS Requirement
Commodity	<\$5,000	None	None
Commodity	\$5,001-\$50,000	2 comparable quotes	2 comparable quotes
Commodity	\$50,001+	IFB or RFP	IFB or RFP
Service	<\$5,000	None	None
Service	\$5,001-\$50,000	None	2 comparable quotes
Service	\$50,001-\$250,000	None	RFP
Service	\$250,000+	***	RFP

\*\*\*NOTE: UMMC requires that contracts for services exceeding \$250,000 must be obtained via RFP.

CONTRACTS NOT PROPERLY APPROVED - OVER \$250,000

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
Emory University	Service	07/01/09	06/30/10	\$ 367,210	\$ 367,210	
Delta Health Alliance	Service	07/01/09	06/30/12	\$ 569,811	\$ 671,745	
University Physicians, PLLC - Otolaryngology	Service	07/01/09	06/30/10	\$ 279,779	\$ 279,779	■
University Dentists, PLLC	Service	07/01/09	06/30/10	\$ 500,000	\$ 500,000	■
Beckman Coulter, Inc.	Commodity	11/09/09	11/09/10	\$ 497,234	\$ 497,677	▲
Caliper Life Sciences	Commodity	11/12/09	11/12/10	\$ 365,321	\$ 365,358	⌘
Skytron, LLC	Commodity	11/19/09	11/19/10	\$ 1,076,539	\$ 1,126,448	
Applied Biosystems	Commodity	11/29/09	11/29/10	\$ 271,227	\$ 271,227	⌘
Intuitive Surgical, Inc.	Commodity	12/15/09	12/14/14	\$ 2,909,000	\$ 2,909,000	
Quality Group of Jackson II, LLC	Service	06/15/10	06/30/12	\$ 231,465	\$ 387,694	❖
Elekta, Inc.	Service	07/01/10	06/30/14	\$ 694,548	\$ 694,548	
Elekta, Inc.	Service	07/01/10	06/30/14	\$ 761,415	\$ 761,415	
Automed Technologies, Inc.	Commodity	09/24/10	09/24/15	\$ 917,166	\$ 917,166	▲
University of MS	Service	12/10/10	11/30/11	\$ 297,473	\$ 297,473	■
University Physicians, PLLC	Service	04/01/11	02/01/13	\$ 780,000	\$ 366,513	■
Viracor - IBT Laboratories, Inc.	Service	05/01/11	06/30/12	\$ 657,251	\$ 657,251	↵
Emory University	Service	07/01/11	06/30/12	\$ 602,397	\$ 602,397	
University Physicians, PLLC	Service	07/01/11	06/30/12	\$ 1,936,960	\$ 1,562,320	■
University Dentists, PLLC	Service	07/01/11	06/30/12	\$ 500,000	\$ 475,399	■
University Physicians, PLLC - Otolaryngology	Service	07/01/11	06/30/12	\$ 279,779	\$ 279,779	■
Mission Search Contract Services, Inc.	Service	11/09/11	06/30/12	\$ 170,120	\$ 323,209	❖
University of MS	Service	12/01/11	11/30/12	\$ 297,473	\$ 297,473	■
Ino Therapeutics, LLC dba Ikaria	Service	12/01/11	06/30/12	\$ 666,269	\$ 666,269	▲
Owens and Minor	Service	02/01/12	10/30/14	\$ 818,356	\$ 762,366	

- Considered as contracting with internal parties (i.e. UM or practice plans)
- ▲ IHL is aware of contract issues
- ⌘ Grant funded
- ❖ These are contract amounts, actual expenditures exceeded \$250,000
- ↵ No contract; only price lists

CONTRACTS NOT PROPERLY APPROVED - OVER \$250,000 - CONTINUED

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
Laboratory Corp	Service	03/01/12	08/30/12	\$ 256,183	\$ 256,183	↵
Ino Therapeutics, LLC dba Ikaria	Service	03/01/12	04/30/12	\$ 1,076,185	\$ 1,076,185	▲
Infusion Partner, Inc.	Service	05/01/12	06/30/13	\$ 240,000	\$ 326,067	▲ ❖
Elekta, Inc.	Service	07/01/12	06/30/14	\$ 355,616	\$ 355,616	
Viracor - IBT Laboratories	Service	07/01/12	06/30/13	\$ 733,154	\$ 733,154	↵
University Physicians, PLLC - Otolaryngology	Service	07/01/12	06/30/13	\$ 283,362	\$ 283,362	■

SUBSEQUENT TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
University of MS	Service	12/01/12	11/30/13	\$ 297,473	\$ 297,473	■ ⌘
Hospital Housekeeping Systems, Ltd.	Service	05/01/13	12/31/13	\$ 3,434,599	\$ 3,434,599	▲

- Considered as contracting with internal parties (i.e. UM or practice plans)
- ▲ IHL is aware of contract issues
- ⌘ Grant funded
- ❖ These are contract amounts, actual expenditures exceeded \$250,000
- ↵ No contract; only price lists

## CONTRACTS NOT PROPERLY APPROVED - LEASES OVER \$100,000

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
Leasing Associates	Rental & Lease	01/28/10	01/27/15	\$ 152,280	\$ 142,128	×
Baytree Leasing Co., LLC	Rental & Lease	04/01/10	03/31/15	\$ 174,238	\$ 145,293	×
US Med-Equip, Inc.	Rental & Lease	07/01/10	06/30/14	\$ 1,044,452	\$ 739,257	×
Leasing Associates	Rental & Lease	01/05/11	11/23/15	\$ 214,740	\$ 154,257	×
Baytree Leasing Co., LLC	Rental & Lease	03/29/11	03/28/16	\$ 133,261	\$ 86,619	×
Cintas Corporation No 2	Rental & Lease	11/01/11	10/31/14	\$ 249,000	\$ 305,012	×

SUBSEQUENT TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
Select Specialty Hospital - Jackson, Inc.	Rental & Lease	03/01/13	08/31/13	\$ 240,181	\$ 198,050	▲

× Leases of personal property

▲ IHL is aware of contract issues



CONTRACTS NOT PROPERLY APPROVED - LEASES UNDER \$100,000

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
Pure Water Finance, Inc.	Rental & Lease	07/01/09	06/30/14	\$ 2,399	\$ 2,399	×
Exell Companies, Inc.	Rental & Lease	08/01/09	07/31/14	\$ 2,999	\$ 2,927	×
Pure Water Finance, Inc.	Rental & Lease	09/01/09	08/31/14	\$ 2,999	\$ 2,799	×
Pure Water Finance, Inc.	Rental & Lease	09/01/09	08/31/14	\$ 3,599	\$ 3,599	×
Baytree Leasing Co., LLC	Rental & Lease	05/19/10	05/18/15	\$ 87,119	\$ 77,045	×
Pure Water Solutions, Inc.	Rental & Lease	07/01/10	06/30/13	\$ 19,800	\$ 19,800	
Fortec Medical, Inc.	Rental & Lease	01/01/11	12/31/13	\$ 60,975	\$ 204,197	×
Exell Companies, Inc.	Rental & Lease	01/20/11	01/20/16	\$ 3,599	\$ 1,682	×
Cintas Corporation No 2	Rental & Lease	06/01/11	01/31/12	\$ 1,420	\$ 1,420	×
Meridian Airport Authority	Rental & Lease	07/01/11	06/30/12	\$ 84,813	\$ 84,813	×
Cintas Corporation No 2	Rental & Lease	07/01/11	05/31/13	\$ 547	\$ 547	×
Simulab Corporation	Rental & Lease	07/01/11	06/30/12	\$ 3,340	\$ 3,230	×
USA Mobility Wireless, Inc.	Rental & Lease	07/01/11	06/30/12	\$ 3,210	\$ 3,302	×
Penske Truck Leasing Co., LP	Rental & Lease	11/07/11	12/31/12	\$ 25,910	\$ 19,018	×
MS Sports Foundation	Rental & Lease	01/01/12	06/30/12	\$ 800	\$ 550	●
MS Fair Commission	Rental & Lease	03/15/12	12/30/12	\$ 355	\$ 355	●
LLDG Avalon, LLC	Rental & Lease	05/01/12	06/23/12	\$ 1,980	\$ 1,980	
ECMO Advantage Corp.	Rental & Lease	05/09/12	05/30/12	\$ 3,000	\$ 2,700	×
Baxa Corporation	Rental & Lease	06/01/12	10/31/13	\$ 4,450	\$ 4,450	×
CCL Enterprises	Rental & Lease	07/01/12	06/30/13	\$ 492	\$ 492	
Meridian Airport Authority	Rental & Lease	07/01/12	06/30/13	\$ 68,457	\$ 68,457	
USA Mobility Wireless, Inc.	Rental & Lease	07/01/12	07/31/13	\$ 3,210	\$ 3,355	×

× Leases of personal property

▲ IHL is aware of contract issues

● One-time facility rental, per IHL staff, not IHL approval required.

❖ As of November 18, 2013, UMMC's Task Force approved a policy stating that small rental or lease agreements, with terms of a year or less or less than \$5,000, would be exempt from the Commissioner approval.



CONTRACTS NOT PROPERLY APPROVED - LEASES UNDER \$100,000 - CONTINUED

SUBSEQUENT TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent		
Mississippi Agriculture & Forestry	Rental & Lease	01/01/13	06/30/13	\$ 1,550	\$ 1,550	●	
MS Fair Commission	Rental & Lease	02/14/13	06/30/13	\$ 2,053	\$ 2,053	●	
Hill-Rom Company, Inc.	Rental & Lease	03/01/13	04/30/13	\$ 96,546	\$ 96,546	×	▲
Pure Water Solutions, Inc.	Rental & Lease	07/01/13	06/30/14	\$ 6,600	\$ 6,600	×	
MS Department of Archives and History	Rental & Lease	07/11/13	07/12/14	\$ 1,468	\$ 1,468	●	
Interactive Exhibits, LLC	Rental & Lease	07/13/13	12/31/13	\$ 5,000	\$ 7,500	●	×
MS Sports Foundation, Inc.	Rental & Lease	11/05/13	08/25/14	\$ 800	\$ 550	●	
ECMO Advantage Corp.	Rental & Lease	12/23/13	02/23/14	\$ 6,000	\$ 3,000	×	❖

× Leases of personal property

▲ IHL is aware of contract issues

● One-time facility rental, per IHL staff, not IHL approval required.

❖ As of November 18, 2013, UMMC's Task Force approved a policy stating that small rental or lease agreements, with terms of a year or less or less than \$5,000, would be exempt from the Commissioner approval.

## CONTRACTS NOT PROPERLY APPROVED - GRANT FUNDED CONTRACTS

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
Orleans Recovery Foundation	Service	07/01/09	08/31/10	\$ 316,286	\$ 238,343	⌘
AHIMA Foundation	Service	09/01/09	08/31/10	\$ 267,160	\$ 134,163	⌘
Channelmatter	Service	07/01/10	01/01/11	\$ 506,025	\$ 284,773	⌘
Westat, Inc.	Service	11/01/10	03/31/11	\$ 436,063	\$ 436,063	⌘
Westat, Inc.	Service	04/01/11	09/30/11	\$ 388,320	\$ 388,320	⌘

⌘ Grant funded

## CONTRACTS WITHOUT SPECIFIC TERMS AND AMOUNTS

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
Volcano Corporation	Commodity	07/01/09	06/30/10	\$ 135,000	\$ 237,956	
Intuitive Surgical, Inc.	Commodity	12/15/09	12/14/14	\$ 2,909,000	\$ 2,909,000	
AutoMed Technologies, Inc.	Commodity	09/24/10	09/24/15	\$ 917,166	\$ 917,166	▲
University HealthSystem Consortium	Service	12/01/10	11/30/11	\$ 257,000	\$ 257,000	▲
Cintas Corporation No 2	Rental & Lease	11/01/11	10/31/14	\$ 249,000	\$ 305,012	▲
Mission Search Contract Services, Inc.	Service	11/09/11	06/30/12	\$ 170,120	\$ 323,209	
Level 3 Communications, Inc.	Technology	07/01/12	06/30/13	\$ 496,592	\$ 632,734	

▲ IHL is aware of contract issues

Note - Effective and end dates along with the contract amount are based on information provided in the contract request.

## CONTRACTS NEEDED FOR MISCELLANEOUS LAB TESTING

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
Baylor College of Medicine	Service	07/01/09	06/30/10	\$ 390,615	\$ 390,615	↵
Baylor College of Medicine	Service	07/01/11	06/30/12	\$ 547,250	\$ 547,250	↵
Baylor College of Medicine	Service	07/01/12	06/30/13	\$ 362,390	\$ 362,390	↵
Quest Diagnostics Nichols	Service	07/01/10	06/30/11	\$ 716,760	\$ 716,760	↵
Quest Diagnostics Nichols	Service	07/01/11	06/30/12	\$ 427,506	\$ 427,506	↵
Quest Diagnostics Nichols	Service	07/01/12	06/30/13	\$ 262,553	\$ 262,553	↵

SUBSEQUENT TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
Quest Diagnostics Nichols	Service	07/01/13	06/30/14	\$ 249,927	\$ 249,927	↵

↵ No contract; only price lists

CONTRACTS WITH RETROACTIVE APPROVAL AND  
ON MONTH-TO-MONTH BASIS

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Retroactive Approved Amount		
The Ramey Agency, LLC	Service	07/01/12	12/31/12	\$ 1,627,109	❖	▲
Beckman Coulter, Inc.	Rental & Lease	09/01/10	08/31/15	\$ 174,000	●	▲
Mobile Medic Ambulance Service, Inc.	Rental & Lease	09/01/10	08/31/13	\$ 220,000	●	▲
Hill-Rom Company, Inc	Rental & Lease	03/01/10	02/28/13	\$ 539,254	●	▲

Vendor Name	Type of Contract	Effective Date	End Date	Month-to-Month Amount		
Meridian Airport Authority	Rental & Lease	07/01/09	06/30/11	\$ 203,485	▲	◆
Fortec Medical, Inc.	Rental & Lease	01/01/11	12/31/13	\$ 138,508	×	
Viracor - IBT Laboratories, Inc.	Service	05/01/11	06/30/12	\$ 657,251	▲	↵
Cintas Corporation No 2	Rental & Lease	06/01/11	01/31/12	\$ 1,420	▲	×
Meridian Airport Authority	Rental & Lease	07/01/11	06/30/12	\$ 84,813	▲	◆ ×
Cintas Corporation No 2	Rental & Lease	07/01/11	05/31/13	\$ 547	▲	×
Olympus America, Inc.	Rental & Lease	11/01/11	10/31/12	\$ 200,607	▲	◆
Ino Therapeutics, LLC dba Ikaria	Service	12/01/11	06/30/12	\$ 666,269	▲	
Stericycle, Inc.	Service	12/01/11	04/30/12	\$ 63,769	▲	◆
Laboratory Corporation of America	Service	03/01/12	08/30/12	\$ 256,183	↵	
Ino Therapeutics, LLC dba Ikaria	Service	03/01/12	04/30/12	\$ 1,076,185	▲	
Viracor - IBT Laboratories, Inc.	Service	07/01/12	06/30/13	\$ 733,154	↵	▲
The Ramey Agency, LLC	Service	07/01/12	12/31/12	\$ 816,675	◆	▲
Meridian Airport Authority	Rental & Lease	07/01/12	06/30/13	\$ 68,457	◆	▲
Steris Corporation	Service	07/01/12	01/31/13	\$ 44,630	◆	

- ❖ Retroactive approval obtained for month-to-month transactions
- Retroactive approval obtained for contract overspent
- ▲ IHL is aware of contract issues
- ◆ Provided to the board in the agenda
- ↵ No contract; only price lists
- × Leases of personal property

CONTRACTS WITH RETROACTIVE APPROVAL AND  
ON MONTH-TO-MONTH BASIS - CONTINUED

SUBSEQUENT TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Retroactive Approved Amount			
Hill-Rom Company, Inc	Rental & Lease	03/01/13	04/30/13	\$ 96,547	❖	▲	×
Select Specialty Hospital - Jackson, Inc.	Rental & Lease	03/01/13	08/31/13	\$ 156,180	●	▲	
Vendor Name	Type of Contract	Effective Date	End Date	Month-to-Month Amount			
WLBT, LLC	Rental & Lease	08/15/12	01/31/13	\$ 3,750	▲	◆	
Vital Records Control	Rental & Lease	11/01/12	11/30/13	\$ 782,715	▲	◆	
Hill-Rom Company, Inc.	Rental & Lease	03/01/13	04/30/13	\$ 96,546	▲	◆	
Select Specialty Hospital - Jackson, Inc.	Rental & Lease	03/01/13	08/31/13	\$ 198,050	▲		
Hospital Housekeeping Systems, Ltd.	Service	05/01/13	12/31/13	\$ 3,434,599	▲	◆	
Cintas Corporation No 2	Rental & Lease	06/01/13	11/30/13	\$ 394	▲		
Ascend Clinical, LLC	Service	07/01/13	06/01/14	\$ 190,049			
Magnolia Exterminating, LLC	Service	07/01/13	08/31/13	\$ 31,770	▲	◆	
Triage Logic, LLC	Service	07/01/13	02/28/14	\$ 171,336	▲	◆	
Wechem, Inc.	Service	07/02/13	11/30/13	\$ 45,288	▲	◆	
NxStage Medical, Inc.	Commodity	03/26/10	09/30/10	\$ 1,107,128	▲	◆	
NxStage Medical, Inc.	Commodity	10/01/11	10/31/13	\$ 830,346	▲	◆	
Allscripts Healthcare, LLC (EPSi Software)	Technology	05/23/13	06/30/13	\$ 13,609	▲	◆	

- ❖ Retroactive approval obtained for month-to-month transactions
- Retroactive approval obtained for contract overspent
- ▲ IHL is aware of contract issues
- ◆ Provided to the board in the agenda
- × Leases of personal property



## CONTRACTS WITH UNIVERSITY PHYSICIANS, PLLC

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	
University Physicians - Otolaryngolgy, PLLC	Service	07/01/09	06/30/10	\$ 279,779	\$ 279,779	■
University Dentists, PLLC	Service	07/01/09	06/30/10	\$ 500,000	\$ 500,000	■
University Physicians, PLLC	Service	04/01/11	02/01/13	\$ 780,000	\$ 366,513	■
University Dentists, PLLC	Service	07/01/11	06/30/12	\$ 500,000	\$ 475,399	■
University Physicians - Otolaryngolgy, PLLC	Service	07/01/11	06/30/12	\$ 279,779	\$ 279,779	■
University Physicians, PLLC	Service	07/01/11	06/30/12	\$ 1,936,960	\$ 1,562,320	■
University Physicians, PLLC	Rental & Lease	12/01/11	06/30/14	\$ 2,184,558	\$ 2,184,558	■
University Physicians - Otolaryngolgy, PLLC	Service	07/01/12	06/30/13	\$ 283,362	\$ 283,362	■

■ Considered as contracting with internal parties (i.e. UM or practice plans)

CONTRACTS WITH IHL APPROVALS IN EXCESS OF ITS APPROVED AMOUNT

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	ITS Approved Amount	IHL Approved Amount	Difference
3M Health Information Systems, Inc.	Technology	07/01/09	06/30/14	\$ 2,895,812	\$ 3,000,000	\$ 104,188
Par Excellence Systems	Technology	07/01/09	06/30/14	\$ 1,821,291	\$ 1,821,298	\$ 7
Theradoc, Inc.	Technology	11/01/09	06/30/14	\$ 474,275	\$ 475,275	\$ 1,000 ▲
Siemens Water Technologies Corp.	Technology	04/01/10	03/31/15	\$ 4,577,707	\$ 5,993,760	\$ 1,416,053

▲ IHL is aware of contract issues

## CONTRACTS WITH COSTS THAT EXCEEDED CONTRACT AMOUNT

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	Overspend	
The Ramey Agency, LLC	Service	07/01/09	06/30/12	\$ 7,500,000	\$ 7,807,148	\$ 307,148	▲
Rotolo Consultants, Inc.	Service	07/01/09	06/30/12	\$ 1,230,714	\$ 1,264,896	\$ 34,182	▲
Delta Health Alliance	Service	07/01/09	06/30/12	\$ 569,811	\$ 671,745	\$ 101,934	
Volcano Corporation	Commodities	07/01/09	06/30/10	\$ 135,000	\$ 237,956	\$ 102,956	
Ventana Medical Systems, Inc.	Commodities	08/24/09	08/23/13	\$ 443,949	\$ 1,011,999	\$ 568,050	
Beckman Coulter, Inc.	Commodities	11/09/09	11/09/10	\$ 497,234	\$ 497,677	\$ 443	▲
Caliper Life Sciences	Commodities	11/12/09	11/12/10	\$ 365,321	\$ 365,358	\$ 37	⌘
Skytron, LLC	Commodities	11/19/09	11/19/10	\$ 1,076,539	\$ 1,126,448	\$ 49,909	
Quality Group of Jackson II, LLC	Service	06/15/10	06/30/12	\$ 231,465	\$ 387,694	\$ 156,229	
University Physicians, PLLC	Rental & Lease	07/01/10	06/30/13	\$ 912,676	\$ 1,243,640	\$ 330,964	■
Nuance Communications, Inc	Technology	07/01/10	06/30/15	\$ 619,500	\$ 658,300	\$ 38,800	▲
Mobile Medic Ambulance Service, Inc.	Rental & Lease	09/01/10	08/31/13	\$ 748,308	\$ 923,430	\$ 175,122	▲
Huron Consulting Services, LLC	Service	11/01/10	08/31/11	\$ 6,750,000	\$ 9,937,285	\$ 3,187,285	
Fortec Medical, Inc.	Rental & Lease	01/01/11	12/31/13	\$ 60,975	\$ 204,197	\$ 143,222	
Lawson Software, Inc.	Technology	06/01/11	06/30/14	\$ 1,773,021	\$ 1,917,424	\$ 144,403	▲
Cooke Douglass Farr Lemons Architecture	Service	07/01/11	06/30/12	\$ 750,000	\$ 773,114	\$ 23,114	
USA Mobility Wireless, Inc.	Rental & Lease	07/01/11	06/30/12	\$ 3,210	\$ 3,302	\$ 92	
Zoll Lifecor Corp.	Rental & Lease	07/01/11	06/30/12	\$ 9,000	\$ 9,600	\$ 600	×
Cintas Corporation No 2	Rental & Lease	11/01/11	10/31/14	\$ 249,000	\$ 305,012	\$ 56,012	▲
Mission Search Contract Services, Inc.	Service	11/09/11	06/30/12	\$ 170,120	\$ 323,209	\$ 153,089	
Baxter Healthcare Corporation	Commodities	12/01/11	11/30/14	\$ 1,828,160	\$ 1,959,442	\$ 131,282	
Infusion Partners, LLC	Service	05/01/12	06/30/13	\$ 240,000	\$ 326,067	\$ 86,067	▲
USA Mobility Wireless, Inc.	Rental & Lease	07/01/12	07/31/13	\$ 3,210	\$ 3,355	\$ 145	
Level 3 Communications, Inc.	Technology	07/01/12	06/30/13	\$ 165,505	\$ 632,734	\$ 467,229	

■ Considered as contracting with internal parties (i.e. UM or practice plans)

▲ IHL is aware of contract issues

⌘ Grant funded

× Leases of personal property



CONTRACTS WITH COSTS THAT EXCEEDED CONTRACT AMOUNT - CONTINUED

SUBSEQUENT TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

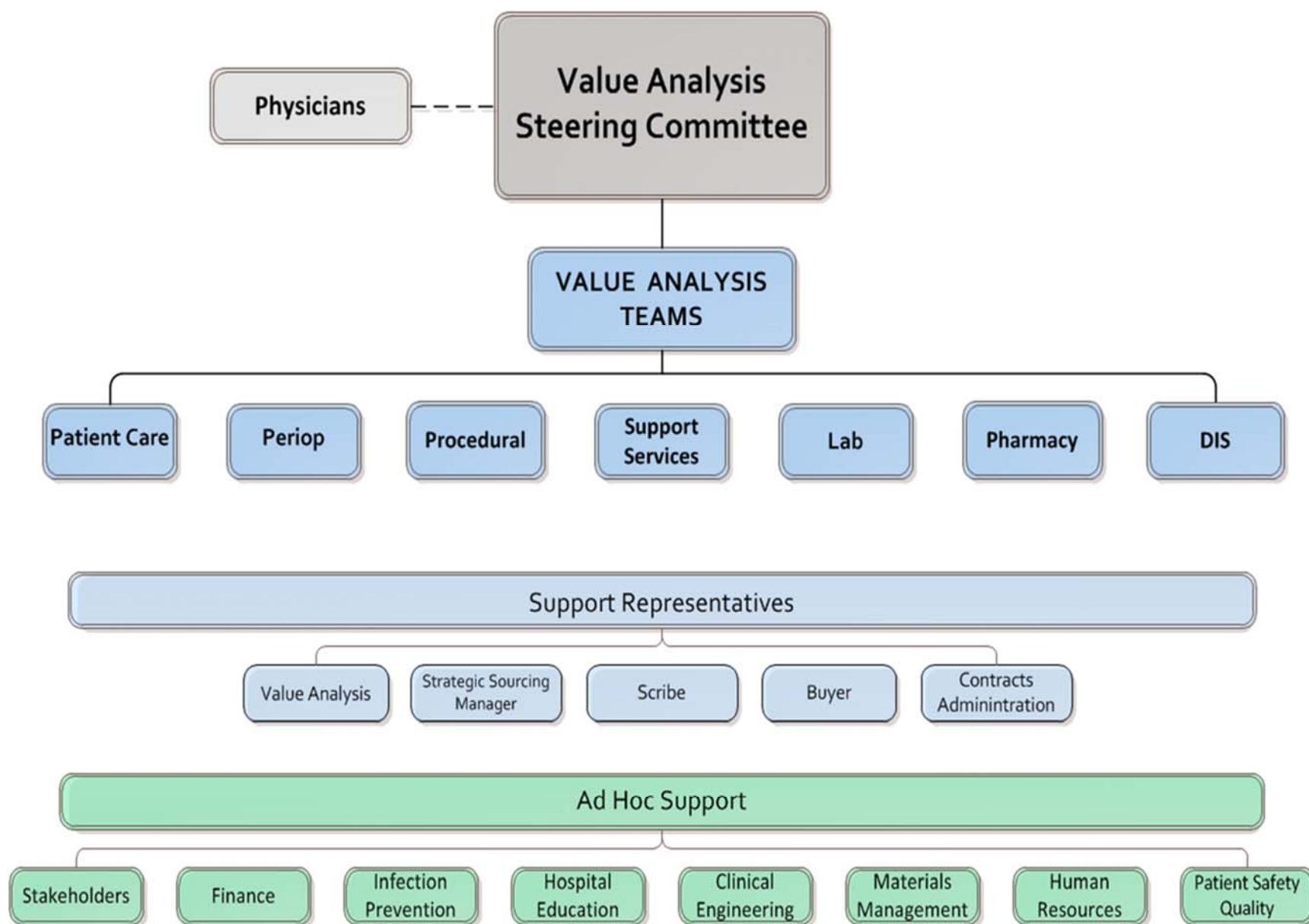
Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Amount Spent	Overspend
Interactive Exhibits, LLC	Rental & Lease	07/13/13	12/31/13	\$ 5,000	\$ 7,500	\$ 2,500

## CONTRACTS THAT REQUIRED A REPLACEMENT CP-1

PRIOR TO ESTABLISHMENT OF  
THE OFFICE OF CONTRACTS ADMINISTRATION

Vendor Name	Type of Contract	Effective Date	End Date	Contract Amount	Payments made after CP-1 expired	Cost exceeded CP-1 approval	
Avaya, Inc.	Technology	07/01/09	06/30/11	\$ 364,780	x		
Par Excellence Systems	Technology	07/01/09	06/30/14	\$ 1,821,298	x		
Nuance Communications, Inc.	Technology	07/01/10	06/30/15	\$ 619,500		x	▲
Academic Technologies, Inc.	Technology	05/06/11	09/30/12	\$ 388,701	x		▲
Lawson Software, Inc.	Technology	06/01/11	06/30/14	\$ 1,773,021		x	▲
Computer Associates, Inc.	Technology	07/01/12	06/30/13	\$ 115,374	x		

▲ IHL is aware of contract issues



## ACCOMPLISHMENTS AND FUTURE STATE OF THE OFFICE OF CONTRACTS ADMINISTRATION

Since its beginning in July 2012, UMMC's Office of Contracts Administration has worked to improve the state of our contracts and the processes used to review the contracts. As the creation of a centralized process for contract review/approval/execution and management was a complete change in the contract culture at UMMC, it was paramount that the needs of the entire institution were taken into consideration.

The following are areas where progress has been achieved:

- **Bringing responsibility for contracts to the forefront.** As part of our effort to improve our contracting processes, the Vice Chancellor has limited the number of individuals who have authority to initiate a contract and has restricted the signature authority, as it pertains to contracts. This has given us a refined group which requires education in regards to proper procurement, contract business decisions, and appropriate contracting policies.
- **Improving our procurement compliance.** Improving contracts means not only improving the legal state of the contract itself, but also ensuring that, when a contract pertains to the purchase of goods or services, the department has procured the goods or services in a manner that is compliant with state procurement requirements, including those set by DFA and ITS.

To assist in improving our procurement processes, the Office has continued to conduct Invitation for Bids (IFBs) and Request for Proposals (RFPs) on behalf of the institution. Many changes to the IFB and RFP processes have led to improvements in the conduct of these procurement methods. Additionally, UMMC has recently, with the collaborative work of the Supply Chain Department and the Office of Contracts Administration, established strategic sourcing teams to assist departments in evaluating areas in which they can save money on services/commodities, and to assist the departments in establishing firm financial forecasts related to specific contracts.

- **Improving the state of our contracts and, at the same time, providing an electronic means for the contract owners to stay engaged during the review process.** Prior to the creation of the Office, contracts were reviewed by both the Legal Department and the Compliance Department prior to execution. Once reviewed, the agreement was returned to the department, from which it originated, in order for the department to negotiate any changes with the vendor and for execution by the appropriate signature authority.



## ACCOMPLISHMENTS AND FUTURE STATE OF THE OFFICE OF CONTRACTS ADMINISTRATION - CONTINUED

With the creation of the Office of Contracts Administration, the contracting processes are more centralized and controlled. The Office now reviews the agreements, incorporating the Legal Department and the Compliance Department into the process as needed, negotiates needed changes, ensures compliance with appropriate policies, including IHL, and facilitates execution of the agreement. Additionally, DIS has created an electronic means for routing the agreements, which allows the owners of the contracts to see what point in the review process their contract(s) may be located, along with notes regarding the findings of the review.

- **Contracts Management System.** UMMC is currently working to implement a contract management system. UMMC had originally purchased the system in 2008; however, it was not implemented. Before moving forward with implementation and in an effort to make sure we choose the right system for UMMC, we have taken time, over the last year to evaluate other contract management systems. Ultimately, UMMC selected the Lawson/Infor Contracts Management tool for implementation. The two primary reasons are its capabilities to assist with monitoring our rebates/discount and the fact that it is a Lawson product alleviates the need for an interface between two different systems.
- **Education.** As part of changing the culture related to contracting, the Office of Contracts Administration has conducted training throughout the campuses. We continue to hold training each month related to contracts for individuals allowed to request or submit contracts for review. This education centers on three main points: 1) procurement law/requirements; 2) IHL policies related to contracting; and 3) contract preparation and submission for review. This included guidance related to establishing sound legal and business terms for their contracts. In addition to 'classroom' education, the Office has created a website that provides guidance to the institution related to contracting.

## ACCOMPLISHMENTS AND FUTURE STATE OF THE OFFICE OF CONTRACTS MANAGEMENT - CONTINUED

As we advance to our goal to achieve high contracting standards, our next task is to increase our turnaround time for contract completion and to establish robust post-contract management process. We would like to accomplish these goals over the next five years, which provides time for approximately 90% of all our contracts to be monitored through the new contracts management system.

The following is a table of processes that the Office of Contracts Administration identified as being instrumental to our achieving these goals.

Process	Description
Expedient review process	The Office of Contracts Administration will become the primary reviewer for all contracts less than \$250K, thereby eliminating redundant reviews and increasing the turnaround time from contract submission to contract execution. This would mean that, for contracts below \$250K in total cost, the Office would only submit for Legal and/or Compliance review, contracts that have substantial healthcare compliance implications or, in the case of complicated negotiations, when a vendor's legal counsel becomes involved and requires consultation with UMMC counsel.
Alerts/reports	Through the use of the contracts management module we will increase the number of alerts/reports designed to assist our departments in monitoring their contracts internally. This should allow the departments to better plan for future needs, especially in preparation for budgets.
Monitoring/reviewing of contract compliance	Create and implement a process for the Office of Contracts Administration to monitor and review contracts post execution. This would include but not be limited to: ensuring we garner what we contracted to receive (both services/products), pricing is what was negotiated, any rebates/discounts set forth in the contract are received and, if the contract is a revenue generating contract, we are receiving said payment.
Accounting for rebates	Contracts with substantial rebate opportunities will be monitored to ensure the accuracy and receipt of the rebate(s). Such monitoring would be through the combined efforts of the Finance Department, Supply Chain Department, and the Office of Contracts Administration.

**IHL Board of Trustees**  
**Policies & Bylaws**

**707 CONTRACTS**

**707.01 LAND, PROPERTY, AND SERVICE CONTRACTS**

Board approval prior to execution of the purchase contract is required for all land acquisitions that exceed \$100,000. An institution acquiring real property shall receive two appraisals prior to purchase, and the purchase price of the property shall not exceed the average of the two appraisals. Board approval prior to the execution of a contract for the sale of real property is required for all land sales regardless of sale price. An institution disposing of real property shall receive two independent appraisals. The sale price shall be no less than the average of the two appraisals. Requests for Board approval of land contracts shall include property descriptions, terms of purchase, lease or sale and intended use of the property, if applicable. See Board Policy 905 (B) for environmental report requirements prior to the purchase or acceptance of real property from any source.

Board approval prior to the execution of leases in an amount greater than \$100,000 is required. However, Board approval is required for timber sales and prior to the execution of all easements, and of all oil, gas and mineral leases, regardless of amount. The Commissioner is authorized and empowered to approve non-oil, gas and mineral leases in an amount equal to or less than \$100,000. Board approval prior to execution of the contract is required for all other land, personal property, and service contracts that require an aggregate total expenditure of more than \$250,000. The Commissioner is authorized and empowered to approve renewals of service expenditure contracts if the original contract was previously approved by the Board of Trustees, and if the contract amount does not exceed 110% of the current contract. An information item will be presented to the Board of Trustees monthly of any and all contracts approved by the Commissioner on behalf of an institution.

Board approval prior to execution of the contract is required for any bookstore, food service, or athletic concession contract projected to generate aggregate total revenues for a university of more than \$250,000 or if the term of such contract exceeds four years. The Commissioner is authorized and empowered to approve renewal revenue contracts for bookstores, food service, or athletic concession contracts where the contract results in additional revenues to the institution. An information item will be presented to the Board of Trustees monthly of any and all contracts approved by the Commissioner on behalf of an institution.

## **IHL Board of Trustees**

### **Policies & Bylaws**

Approval by the Board is not required for the following purchases: natural gas, utility services, and entertainment services paid for with student fees and/or ticket sales receipts. Institutional Executive Officers and the Commissioner are authorized and empowered to approve and execute on behalf of their respective institutions all other land, personal property and service contracts. All such contracts shall be executed in accordance with state law and board policy.

(BT Minutes, 9/90; 4/98; 3/2002; 12/2005; 3/2007; 6/2010)

*Miss. Code Ann. § 37-115-31*

MISSISSIPPI CODE of 1972

\*\*\* Current through the 2014 Regular Session and 1st and 2nd Extraordinary Sessions \*\*\*

TITLE 37. EDUCATION  
CHAPTER 115. UNIVERSITY OF MISSISSIPPI  
SCHOOL OF MEDICINE

Miss. Code Ann. § 37-115-31 (2014)

§ 37-115-31. Operation of hospital

The teaching hospital and related facilities shall be utilized to serve the people of Mississippi generally. The teaching hospital and related facilities shall have the power necessary to enter into group purchasing arrangements as deemed reasonable and necessary, and such powers as are necessary to establish and operate health maintenance organizations, preferred provider organizations, prepaid health benefit plans and other managed care entities regulated by Section 83-41-301 et seq., and the power to establish rates and charges for health care services, either on a fee for service, discounted, capitated or other risk based payment basis, and provided that any such entity shall primarily provide care and services to indigent persons or qualified beneficiaries of the State Medicaid Program; and further provided, however, any entity, or any affiliate of any such entity, that now or in the future provides management services to the University of Mississippi Medical Center or any of its facilities, shall not be affiliated in any manner with any managed care product established by the University of Mississippi Medical Center under the authority of this section. There shall be a reasonable volume of free work; however, said volume shall never be less than one-half of its bed capacity for indigent patients who are eligible and qualified under the state charity fund for charity hospitalization of indigent persons, or qualified beneficiaries of the State Medicaid Program. The income derived from the operations of said hospital, including all facilities thereof, shall be utilized toward the payment of the operating expenses of said hospital, including all facilities thereof.

**HISTORY:** SOURCES: Codes, 1942, § 6708-10; Laws, 1950, ch. 378, § 10; Laws, 1996, ch. 496, § 2, eff from and after passage (approved April 11, 1996).



*Miss. Code Ann. § 31-7-9*

MISSISSIPPI CODE of 1972

\*\*\* Current through the 2014 Regular Session and 1st and 2nd Extraordinary Sessions \*\*\*

TITLE 31. PUBLIC BUSINESS, BONDS AND OBLIGATIONS  
CHAPTER 7. PUBLIC PURCHASES  
IN GENERAL

Miss. Code Ann. § 31-7-9 (2014)

§ 31-7-9. Purchasing regulations

(1) (a) The Office of Purchasing, Travel and Fleet Management shall adopt purchasing regulations governing the purchase by any agency of any commodity or commodities and establishing standards and specifications for a commodity or commodities and the maximum fair prices of a commodity or commodities, subject to the approval of the Public Procurement Review Board. It shall have the power to amend, add to or eliminate purchasing regulations. The adoption of, amendment, addition to or elimination of purchasing regulations shall be based upon a determination by the Office of Purchasing, Travel and Fleet Management with the approval of the Public Procurement Review Board, that such action is reasonable and practicable and advantageous to promote efficiency and economy in the purchase of commodities by the agencies of the state. Upon the adoption of any purchasing regulation, or an amendment, addition or elimination therein, copies of same shall be furnished to the State Auditor and to all agencies affected thereby. Thereafter, and except as otherwise may be provided in subsection (2) of this section, no agency of the state shall purchase any commodities covered by existing purchasing regulations unless such commodities be in conformity with the standards and specifications set forth in the purchasing regulations and unless the price thereof does not exceed the maximum fair price established by such purchasing regulations. The Office of Purchasing, Travel and Fleet Management shall furnish to any county or municipality or other local public agency of the state requesting same, copies of purchasing regulations adopted by the Office of Purchasing, Travel and Fleet Management and any amendments, changes or eliminations of same that may be made from time to time.

**HISTORY:** SOURCES: Codes, 1942, § 9024-06; Laws, 1962, ch. 497, § 6; Laws, 1984, ch. 488, § 155; Laws, 1985, ch. 525, § 16; Laws, 1988 Ex Sess, ch. 14, § 71; Laws, 1989, ch. 394, § 1; Laws, 2000, ch. 593, § 5; Laws, 2002, ch. 316, § 1; Laws, 2003, ch. 539, § 4; Laws, 2004, ch. 562, § 2; Laws, 2006, ch. 537, § 7; Laws, 2012, ch. 543, § 4; Laws, 2013, ch. 362, § 2; Laws, 2013, ch. 394, § 1, eff from and after July 1, 2013.



*Miss. Code Ann. § 31-7-11*

MISSISSIPPI CODE of 1972

\*\*\* Current through the 2014 Regular Session and 1st and 2nd Extraordinary Sessions \*\*\*

TITLE 31. PUBLIC BUSINESS, BONDS AND OBLIGATIONS  
CHAPTER 7. PUBLIC PURCHASES  
IN GENERAL

Miss. Code Ann. § 31-7-11 (2014)

§ 31-7-11. Purchasing practices

Each agency of the state shall furnish information relative to its purchase of commodities, and as to its method of purchasing such commodities, to the Department of Finance and Administration annually and at such other times as the Department of Finance and Administration may request.

The Department of Finance and Administration shall have supervision over the purchasing and purchasing practices of each state agency and may by regulation or order correct any practice that appears contrary to the provisions of this chapter or to the best interests of the state. If it shall appear that any agency is not practicing economy in its purchasing or is permitting favoritism or any improper purchasing practice, the Department of Finance and Administration shall require that the agency immediately cease such improper activity, with full and complete authority in the Department of Finance and Administration to carry into effect its directions in such regard.

All purchases, trade-ins, sales or transfer of personal property made by any officer, board, agency, department or branch of the state government except the Legislature shall be subject to the approval of the Department of Finance and Administration. Such transaction shall be made in accordance with rules and regulations of the Department of Finance and Administration relating to the purchase of state-owned motor vehicles and all other personal property. The title of such property shall remain in the name of the state.

**HISTORY:** SOURCES: Codes, 1942, §§ 9024-06, 9024-07; Laws, 1962, ch. 497, §§ 6, 7; Laws, 1970, ch. 353, § 2; Laws, 1980, ch. 440, § 4; Laws, 1984, ch. 488, § 156; Laws, 1985, ch. 525, § 17; Laws, 2000, ch. 593, § 7, eff from and after passage (approved May 20, 2000.)



*Miss. Code Ann. § 31-7-13*

MISSISSIPPI CODE of 1972

\*\*\* Current through the 2014 Regular Session and 1st and 2nd Extraordinary Sessions \*\*\*

TITLE 31. PUBLIC BUSINESS, BONDS AND OBLIGATIONS  
CHAPTER 7. PUBLIC PURCHASES  
IN GENERAL

Miss. Code Ann. § 31-7-13 (2014)

§ 31-7-13. Bid requirements and exceptions; public auctions

All agencies and governing authorities shall purchase their commodities and printing; contract for garbage collection or disposal; contract for solid waste collection or disposal; contract for sewage collection or disposal; contract for public construction; and contract for rentals as herein provided.

(c) *Bidding procedure for purchases over \$ 50,000.00.*

(i) *Publication requirement.*

1. Purchases which involve an expenditure of more than Fifty Thousand Dollars (\$ 50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder after advertising for competitive bids once each week for two (2) consecutive weeks in a regular newspaper published in the county or municipality in which such agency or governing authority is located. However, all American Recovery and Reinvestment Act projects in excess of Twenty-five Thousand Dollars (\$ 25,000.00) shall be bid. All references to American Recovery and Reinvestment Act projects in this section shall not apply to programs identified in Division B of the American Recovery and Reinvestment Act.

2. The purchasing entity may designate the method by which the bids will be received, including, but not limited to, bids sealed in an envelope, bids received electronically in a secure system, bids received via a reverse auction, or bids received by any other method that promotes open competition and has been approved by the Office of Purchasing and Travel. However, reverse auction shall not be used for any public contract for design or construction of public facilities, including buildings, roads and bridges.

3. The date as published for the bid opening shall not be less than seven (7) working days after the last published notice; however, if the purchase involves a construction project in which the estimated cost is in excess of Fifty Thousand Dollars (\$ 50,000.00), such bids shall not be opened in less than fifteen (15) working days after the last notice is published and the notice for the purchase of such construction shall be published once each week for two (2) consecutive weeks. However, all American Recovery and Reinvestment Act projects in excess of Twenty-five Thousand Dollars (\$ 25,000.00) shall be bid. For any projects in excess of Twenty-five Thousand Dollars (\$ 25,000.00) under the American Recovery and Reinvestment Act, publication shall be made one (1) time and the bid opening for construction projects shall not be less than ten (10) working days after the date of the published notice. The notice of intention to let contracts or purchase equipment shall state the time and place

at which bids shall be received, list the contracts to be made or types of equipment or supplies to be purchased, and, if all plans and/or specifications are not published, refer to the plans and/or specifications on file. If there is no newspaper published in the county or municipality, then such notice shall be given by posting same at the courthouse, or for municipalities at the city hall, and at two (2) other public places in the county or municipality, and also by publication once each week for two (2) consecutive weeks in some newspaper having a general circulation in the county or municipality in the above-provided manner. On the same date that the notice is submitted to the newspaper for publication, the agency or governing authority involved shall mail written notice to, or provide electronic notification to the main office of the Mississippi Procurement Technical Assistance Program under the Mississippi Development Authority that contains the same information as that in the published notice. Submissions received by the Mississippi Procurement Technical Assistance Program for projects funded by the American Recovery and Reinvestment Act shall be displayed on a separate and unique Internet Web page accessible to the public and maintained by the Mississippi Development Authority for the Mississippi Procurement Technical Assistance Program. Those American Recovery and Reinvestment Act related submissions shall be publicly posted within twenty-four (24) hours of receipt by the Mississippi Development Authority and the bid opening shall not occur until the submission has been posted for ten (10) consecutive days. The Department of Finance and Administration shall maintain information regarding contracts and other expenditures from the American Recovery and Reinvestment Act, on a unique Internet Web page accessible to the public. The Department of Finance and Administration shall promulgate rules regarding format, content and deadlines, unless otherwise specified by law, of the posting of award notices, contract execution and subsequent amendments, links to the contract documents, expenditures against the awarded contracts and general expenditures of funds from the American Recovery and Reinvestment Act. Within one (1) working day of the contract award, the agency or governing authority shall post to the designated Web page maintained by the Department of Finance and Administration, notice of the award, including the award recipient, the contract amount, and a brief summary of the contract in accordance with rules promulgated by the department. Within one (1) working day of the contract execution, the agency or governing authority shall post to the designated Web page maintained by the Department of Finance and Administration a summary of the executed contract and make a copy of the appropriately redacted contract documents available for linking to the designated Web page in accordance with the rules promulgated by the department. The information provided by the agency or governing authority shall be posted to the Web page for the duration of the American Recovery and Reinvestment Act funding or until the project is completed, whichever is longer.

(ii) *Bidding process amendment procedure.* If all plans and/or specifications are published in the notification, then the plans and/or specifications may not be amended. If all plans and/or specifications are not published in the notification, then amendments to the plans/specifications, bid opening date, bid opening time and place may be made, provided that the agency or governing authority maintains a list of all prospective bidders who are known to have received a copy of the bid documents and all such prospective bidders are sent copies of all amendments. This notification of amendments may be made via mail, facsimile, electronic mail or other generally accepted method of information distribution. No addendum to bid specifications may be issued within two (2) working days of the time established for the receipt of bids unless such addendum also amends the bid opening to a date not less than five (5) working days after the date of the addendum.

(iii) *Filing requirement.* In all cases involving governing authorities, before the notice shall be published or posted, the plans or specifications for the construction or equipment

being sought shall be filed with the clerk of the board of the governing authority. In addition to these requirements, a bid file shall be established which shall indicate those vendors to whom such solicitations and specifications were issued, and such file shall also contain such information as is pertinent to the bid.

(iv) Specification restrictions.

1. Specifications pertinent to such bidding shall be written so as not to exclude comparable equipment of domestic manufacture. However, if valid justification is presented, the Department of Finance and Administration or the board of a governing authority may approve a request for specific equipment necessary to perform a specific job. Further, such justification, when placed on the minutes of the board of a governing authority, may serve as authority for that governing authority to write specifications to require a specific item of equipment needed to perform a specific job. In addition to these requirements, from and after July 1, 1990, vendors of relocatable classrooms and the specifications for the purchase of such relocatable classrooms published by local school boards shall meet all pertinent regulations of the State Board of Education, including prior approval of such bid by the State Department of Education.

2. Specifications for construction projects may include an allowance for commodities, equipment, furniture, construction materials or systems in which prospective bidders are instructed to include in their bids specified amounts for such items so long as the allowance items are acquired by the vendor in a commercially reasonable manner and approved by the agency/governing authority. Such acquisitions shall not be made to circumvent the public purchasing laws.

(v) Agencies and governing authorities may establish secure procedures by which bids may be submitted via electronic means.

**HISTORY:** SOURCES: Codes, 1942, § 9024-08; Laws, 1962, ch. 497, § 8; Laws, 1980, ch. 440, § 6; Laws, 1981, ch. 306, § 2; Laws, 1982, ch. 449, § 1; Laws, 1983, ch. 330, § 3, ch. 341; Laws, 1984, ch. 363; Laws, 1984, ch. 480, § 3; Laws, 1984, ch. 488, § 158; Laws, 1985, ch. 493, § 6; Laws, 1986, ch. 398; Laws, 1986, ch. 489, § 14; Laws, 1988, ch. 351; Laws, 1988, ch. 589, § 23; Laws, 1988 Ex Sess, ch. 14, § 65; Laws, 1989, ch. 349, § 1; Laws, 1989, ch. 394, § 3; Laws, 1990, ch. 534, § 27; Laws, 1990, ch. 545, § 2; Laws, 1990, ch. 561, § 2; Laws, 1990, 1st Ex Sess, ch. 51, § 2; Laws, 1991, ch. 337, § 1; Laws, 1991, ch. 523, § 1; Laws, 1992, ch. 571 § 3; Laws, 1993, ch. 418, § 2; Laws, 1993, ch. 617, § 12; Laws, 1993, ch. 556, § 3; Laws, 1994, ch. 471, § 2; Laws, 1994 Ex Sess, ch. 26, § 22; Laws, 1996, ch. 495, § 1; Laws, 1997, ch. 593, § 1; Laws, 1998, ch. 574, § 6; Laws, 1999, ch. 407, § 1; Laws, 1999, ch. 459, § 1; Laws, 2000, ch. 428, § 3; Laws, 2000, ch. 593, § 9; Laws, 2000, 3rd Ex Sess, ch. 1, § 13; Laws, 2001, ch. 333, § 2; Laws, 2002, ch. 563, § 1; Laws, 2003, ch. 539, § 5; Laws, 2004, ch. 394, § 1; Laws, 2004, ch. 577, § 2; Laws, 2004, 3rd Ex Sess, ch. 1, § 190; Laws, 2005, ch. 504, § 5; Laws, 2006, ch. 446, § 1; Laws, 2007, ch. 423, § 1; Laws, 2007, ch. 424, § 2; Laws, 2007, ch. 494, § 7; Laws, 2007, ch. 582, § 22; Laws, 2008, ch. 417, § 1; Laws, 2008, ch. 469, § 1; brought forward without change, Laws, 2008, ch. 544, § 4; Laws, 2009, ch. 538, § 1; Laws, 2010, ch. 301, § 7; Laws, 2010, ch. 533, § 26; Laws, 2011, ch. 485, § 2; Laws, 2012, ch. 446, § 2; Laws, 2013, ch. 390, § 1; Laws, 2013, ch. 466, § 3; Laws, 2013, ch. 519, § 1, eff from and after July 1, 2013.

*Miss. Code Ann. § 25-53-5*

MISSISSIPPI CODE of 1972

\*\*\* Current through the 2014 Regular Session and 1st and 2nd Extraordinary Sessions \*\*\*

TITLE 25. PUBLIC OFFICERS AND EMPLOYEES; PUBLIC RECORDS  
CHAPTER 53. MISSISSIPPI DEPARTMENT OF INFORMATION TECHNOLOGY SERVICES  
(MDITS)  
GENERAL PROVISIONS

Miss. Code Ann. § 25-53-5 (2014)

§ 25-53-5. Powers, duties and responsibilities

The authority shall have the following powers, duties, and responsibilities:

(o) The authority shall make a report in writing to the Legislature each year in the month of January. Such report shall contain a full and detailed account of the work of the authority for the preceding year as specified in Section 25-53-29(3).

All acquisitions of computer equipment and services involving the expenditure of funds in excess of the dollar amount established in Section 31-7-13(c), or rentals or leases in excess of the dollar amount established in Section 31-7-13(c) for the term of the contract, shall be based upon competitive and open specifications, and contracts therefor shall be entered into only after advertisements for bids are published in one or more daily newspapers having a general circulation in the state not less than fourteen (14) days prior to receiving sealed bids therefor. The authority may reserve the right to reject any or all bids, and if all bids are rejected, the authority may negotiate a contract within the limitations of the specifications so long as the terms of any such negotiated contract are equal to or better than the comparable terms submitted by the lowest and best bidder, and so long as the total cost to the State of Mississippi does not exceed the lowest bid. If the authority accepts one (1) of such bids, it shall be that which is the lowest and best.

**HISTORY:** SOURCES: Codes, 1942, §§ 8946-61, 8946-62; Laws, 1968, ch. 499, §§ 1, 2; Laws, 1970, ch. 466, §§ 1, 2; Laws, 1972, ch. 481, § 1; Laws, 1980, ch. 474; Laws, 1984, ch. 488, § 287; Laws, 1995, ch. 622, § 3; Laws, 1998, ch. 430, § 1; Laws, 1999, ch. 410, § 2; Laws, 2003, ch. 527, § 2; Laws, 2004, ch. 362, § 1; Laws, 2012, ch. 498, § 3, eff from and after July 1, 2012.



*Miss. Code Ann. § 31-7-305*

MISSISSIPPI CODE of 1972

\*\*\* Current through the 2014 Regular Session and 1st and 2nd Extraordinary Sessions \*\*\*

TITLE 31. PUBLIC BUSINESS, BONDS AND OBLIGATIONS  
CHAPTER 7. PUBLIC PURCHASES  
TIMELY PAYMENT FOR PURCHASES BY PUBLIC BODIES

Miss. Code Ann. § 31-7-305 (2014)

§ 31-7-305. Recordkeeping and notice requirements; time for mailing check in payment of invoice; time for payment in event of dispute; interest penalties

(1) All public bodies of the state, including those which issue checks and those which file requisitions for payment with the State Fiscal Management Board, shall keep a record of the date of receipt of the invoice, dates of receipt, inspection and approval of the goods or services, date of issuing the check or date of filing the requisition for payment, as the case may be, and date of mailing or otherwise delivering the warrant or check in payment thereof. In the event that the State Fiscal Management Board mails or otherwise delivers the warrant directly to the claimant, pursuant to Section 7-7-35, Mississippi Code of 1972, the State Fiscal Management Board shall notify the public body of the date thereof. The provisions of this section are supplemental to the requirements of Sections 19-13-29, 21-39-7, 21-39-13 and 37-5-93, Mississippi Code of 1972.

(2) All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods or services; however, in the event of a bona fide dispute, the public body shall pay only the amount not disputed.

(3) If a warrant or check, as the case may be, in payment of an invoice is not mailed or otherwise delivered within forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods and services, the public body shall be liable to the vendor, in addition to the amount of the invoice, for interest at a rate of one and one-half percent (1- 1/2 %) per month or portion thereof on the unpaid balance from the expiration of such forty-five-day period until such time as the warrant or check is mailed or otherwise delivered to the vendor. The provisions of this paragraph shall apply only to undisputed amounts for which payment has been authorized. In the case of an error on the part of the vendor, the forty-five-day period shall begin to run upon receipt of a corrected invoice by the public body and upon compliance with the other provisions of this section. The various public bodies shall be responsible for initiating the penalty payments required by this subsection and shall use this subsection as authority to make such payments. Also, at the time of initiating such penalty payment, the public body shall specify in writing an explanation of the delay and shall attach such explanation to the requisition for payment of the penalty or to the file copy of the check issued by the public body, as the case may be.



(4) (a) In the event of a bona fide dispute as to an invoice, or any portion thereof, the dispute shall be settled within thirty (30) days after interest penalties could begin to be assessed, if it were not for the dispute.

(b) If a warrant or check, as the case may be, in payment of an invoice, subject to a prior dispute, is not mailed or otherwise delivered within thirty (30) days after settlement of the dispute, the public body shall be liable to the vendor, in addition to the amount of the invoice, for interest at a rate of one and one-half percent (1- 1/2 %) per month or portion thereof on the unpaid balance from the expiration of said thirty-day period until such time as the warrant or check is mailed or otherwise delivered to the vendor. At the time of initiating such penalty payment, the public body shall specify in writing an explanation of the delay and shall attach such explanation to the requisition for payment of the penalty or to the file copy of the check issued by the public body, as the case may be. The interest penalty prescribed in this paragraph shall be in lieu of the penalty provided in subsection (3).

**HISTORY:** SOURCES: Laws, 1986, ch. 489, § 3, eff from and after October 1, 1986.



*Miss. Code Ann. § 41-7-191*

MISSISSIPPI CODE of 1972

\*\*\* Current through the 2014 Regular Session and 1st and 2nd Extraordinary Sessions \*\*\*

TITLE 41. PUBLIC HEALTH  
CHAPTER 7. HOSPITAL AND HEALTH CARE COMMISSIONS  
HEALTH CARE CERTIFICATE OF NEED LAW OF 1979

Miss. Code Ann. § 41-7-191 (2014)

§ 41-7-191. Certificate of need; activities for which certificate is required

(1) No person shall engage in any of the following activities without obtaining the required certificate of need:

(a) The construction, development or other establishment of a new health care facility, which establishment shall include the reopening of a health care facility that has ceased to operate for a period of sixty (60) months or more;

(b) The relocation of a health care facility or portion thereof, or major medical equipment, unless such relocation of a health care facility or portion thereof, or major medical equipment, which does not involve a capital expenditure by or on behalf of a health care facility, is within five thousand two hundred eighty (5,280) feet from the main entrance of the health care facility;

(c) Any change in the existing bed complement of any health care facility through the addition or conversion of any beds or the alteration, modernizing or refurbishing of any unit or department in which the beds may be located; however, if a health care facility has voluntarily delicensed some of its existing bed complement, it may later relicense some or all of its delicensed beds without the necessity of having to acquire a certificate of need. The State Department of Health shall maintain a record of the delicensing health care facility and its voluntarily delicensed beds and continue counting those beds as part of the state's total bed count for health care planning purposes. If a health care facility that has voluntarily delicensed some of its beds later desires to relicense some or all of its voluntarily delicensed beds, it shall notify the State Department of Health of its intent to increase the number of its licensed beds. The State Department of Health shall survey the health care facility within thirty (30) days of that notice and, if appropriate, issue the health care facility a new license reflecting the new contingent of beds. However, in no event may a health care facility that has voluntarily delicensed some of its beds be reissued a license to operate beds in excess of its bed count before the voluntary delicensure of some of its beds without seeking certificate of need approval;

(d) Offering of the following health services if those services have not been provided on a regular basis by the proposed provider of such services within the period of twelve (12) months prior to the time such services would be offered:

- (i) Open-heart surgery services;
- (ii) cardiac catheterization services;
- (iii) Comprehensive inpatient rehabilitation services;





- (iv) licensed psychiatric services;
- (v) Licensed chemical dependency services;
- (vi) Radiation therapy services;
- (vii) Diagnostic imaging services of an invasive nature, i.e. invasive digital angiography;
- (viii) Nursing home care as defined in subparagraphs (iv), (vi) and (viii) of Section 41-7-173(h);
- (ix) home health services;
- (x) Swing-bed services;
- (xi) Ambulatory surgical services;
- (xii) Magnetic resonance imaging services;
- (xiii) [Deleted]
- (xiv) Long-term care hospital services;
- (xv) Positron emission tomography (PET) services;

(e) The relocation of one or more health services from one physical facility or site to another physical facility or site, unless such relocation, which does not involve a capital expenditure by or on behalf of a health care facility, (i) is to a physical facility or site within five thousand two hundred eighty (5,280) feet from the main entrance of the health care facility where the health care service is located, or (ii) is the result of an order of a court of appropriate jurisdiction or a result of pending litigation in such court, or by order of the State Department of Health, or by order of any other agency or legal entity of the state, the federal government, or any political subdivision of either, whose order is also approved by the State Department of Health;

(f) The acquisition or otherwise control of any major medical equipment for the provision of medical services; provided, however, (i) the acquisition of any major medical equipment used only for research purposes, and (ii) the acquisition of major medical equipment to replace medical equipment for which a facility is already providing medical services and for which the State Department of Health has been notified before the date of such acquisition shall be exempt from this paragraph; an acquisition for less than fair market value must be reviewed, if the acquisition at fair market value would be subject to review;

(g) Changes of ownership of existing health care facilities in which a notice of intent is not filed with the State Department of Health at least thirty (30) days prior to the date such change of ownership occurs, or a change in services or bed capacity as prescribed in paragraph (c) or (d) of this subsection as a result of the change of ownership; an acquisition for less than fair market value must be reviewed, if the acquisition at fair market value would be subject to review;

(h) The change of ownership of any health care facility defined in subparagraphs (iv), (vi) and (viii) of Section 41-7-173(h), in which a notice of intent as described in paragraph (g) has not been filed and if the Executive Director, Division of Medicaid, Office of the Governor, has not certified in writing that there will be no increase in allowable costs to Medicaid from revaluation of the assets or from increased interest and depreciation as a result of the proposed change of ownership;

(i) Any activity described in paragraphs (a) through (h) if undertaken by any person if that same activity would require certificate of need approval if undertaken by a health care facility;

(j) Any capital expenditure or deferred capital expenditure by or on behalf of a health care facility not covered by paragraphs (a) through (h);

(k) The contracting of a health care facility as defined in subparagraphs (i) through (viii) of Section 41-7-173(h) to establish a home office, subunit, or branch office in the space operated as a health care facility through a formal arrangement with an existing health care facility as defined in subparagraph (ix) of Section 41-7-173(h);

(l) The replacement or relocation of a health care facility designated as a critical access hospital shall be exempt from subsection (1) of this section so long as the critical access hospital complies with all applicable federal law and regulations regarding such replacement or relocation;

(m) Reopening a health care facility that has ceased to operate for a period of sixty (60) months or more, which reopening requires a certificate of need for the establishment of a new health care facility.

**HISTORY:** SOURCES: Laws, 1979, ch. 451, §§ 9, 27; Laws, 1980, ch. 493, § 5; Laws, 1981, ch. 484, § 14; Laws, 1982, ch. 499, § 1; Laws, 1983, ch. 484, § 5; Laws, 1984, ch. 505; Laws, 1985, ch. 534, § 8; Laws, 1986, ch. 437, § 40; Laws, 1987, ch. 515, § 6; Laws, 1988, ch. 421, § 1; Laws, 1989, ch. 530, § 2; Laws, 1990, ch. 510, § 2; Laws, 1993, ch. 426, § 10; Laws, 1993, ch. 493, § 1; Laws, 1993, ch. 609, § 10; Laws, 1994, ch. 649, § 16; Laws, 1995, ch. 599, § 1; Laws, 1996, ch. 551, § 1; Laws, 1998, ch. 596, § 1; Laws, 1999, ch. 303, § 1; Laws, 1999, ch. 495, § 2; Laws, 1999, ch. 583, § 2; Laws, 2001, ch. 342, § 1; Laws, 2001, ch. 607, § 1; Laws, 2002, ch. 636B, § 6; Laws, 2003, ch. 393, § 2; Laws, 2004, ch. 438, § 1; Laws, 2006, ch. 513, § 1; Laws, 2007, ch. 514, § 21; Laws, 2012, ch. 524, § 14, eff from and after passage (approved May 18, 2012.)