

**SUBJECT/TITLE: STATEMENT OF VENDOR OWNED INVENTORY
(CONSIGNMENT) POLICY**

PURPOSE: This policy will cover all products and equipment consigned to UIHC and will be approved by UIHC Finance and Accounting Services prior to any implementation. The University will not accept liability for products or equipment unless specifically stated and agreed upon. This policy sets forth the terms and conditions under which a vendor will provide the University of Iowa Hospitals and Clinics (UIHC) with consignment inventory of certain products in the quantities mutually agreed upon for the purpose of minimizing the hospital's investment in inventory, and to ensure that products are readily available when required.

DEFINITION: None

POLICY:

The UIHC will enter into a Vendor-Owned Inventory (Consignment) Agreement in which the UIHC sets forth the terms and conditions under which products will be consigned to the UIHC. All UIHC consignment agreements must be contracted and signed off by the designated UIHC Departments.

PROCEDURES:

A. Initial Consignment Inventory.

Vendor agrees to provide to UIHC consignment inventory consisting of the products listed on the UIHC Consignment Agreement. The consignment inventory is placed by the vendor at no charge to UIHC, and is provided solely for UIHC's internal use. Vendor will not share previously-assigned consignment inventory with another institution without UIHC's prior written approval. Written approval will come from Procurement Services Department or exceptions may be made for emergencies with the Area Charge Nurse.

B. Consignment Inventory Levels.

Consignment inventory will be limited to a mutually acceptable level between supplier representative and the department at the UIHC based on current usage of similar products. UIHC will enter into firm contract for pricing of all agreed-upon consignment items prior to

placing them. A vendor may not use UIHC as a storage facility for excess inventory that is not officially consigned for UIHC usage.

C. Reductions in Consignment Inventory Levels.

Regular monitoring of consigned items is important. If an item is not utilized within a reasonable period, the need for that item to be consigned will be reassessed.

Vendor retains the right to have an item removed from the inventory upon their discretion after providing UIHC with a 60-day notice.

D. Return of Inventory.

UIHC can, at any time, return unused or expired items from consignment inventory to vendor. “Unused” is defined as any unopened package, regardless of package condition. For sterile products, “Unused” is additionally defined as product whose sterility has not been compromised.

E. Inventory Replacements.

Once an item is used, UIHC is expected to notify the vendor and they will re-consign additional items. When notifying vendor representative of used items, UIHC will need to include model, serial and purchase order numbers if agreed upon. Replenished consignment items assigned to UIHC are to be accompanied by an updated list with model and serial numbers, expiration date, and size or any other item-specific information. All inventory replacements will be provided to UIHC via next-day air delivery at no additional cost to UIHC.

F. Possession.

Materials lost or damaged during shipment are the sole responsibility of the Vendor. Products shipped do not become possession of UIHC until the specific item has been received at the UIHC facilities at which time materials will become possession of UIHC if deemed acceptable. UIHC reserves the right to forego possession at any time and may return items that are unused or expired and not be expensed. (See Inventory Expensing). UIHC will bear the risk of loss and damage to all products while in its possession.

G. Ownership and Inspection.

UIHC recognizes that consignment inventory is the property of the vendor until it is opened, used, lost, or damaged, at which time the products become the property of UIHC. Vendor retains the right to conduct verbal, written, or physical inventory cycle counts. In addition, Vendor’s sales representative will assist UIHC in determining appropriate stock levels and suggest methods for product control. UIHC is responsible for assuring that product which is beyond its stated expiration date is not used in patients and is promptly returned to Vendor. With reasonable notice, UIHC agrees to give Vendor representative(s) escorted access to its inventory to conduct such inspections of consignment inventory levels, and to verify the quantity and condition of the consignment inventory.

H. Quarterly Inspections.

Quarterly inspections may be conducted and documented. The inspection reports must be signed by a Vendor sales representative, the UIHC department manager (or an authorized delegate), and the UIHC Procurement Services Director to be considered valid. UIHC is only responsible for the product listed on the most current valid inspection report. UIHC Procurement Services must receive each original inspection report to keep on file.

I. Modifications to Consignment Inventory.

A new approval and inspection will be required when product is added, subtracted, or traded out of UIHC consignment inventory. Substantial changes to products (e.g., changes in the product itself, packaging, pricing, catalog number) will require approval from UIHC Product Review and Standardization Committee prior to its addition to the consignment inventory.

J. Discrepancy Resolution.

If there is a discrepancy between product listed on the most current inspection report and actual product in UIHC consignment inventory, the UIHC department manager and a Procurement Services staff member will work with Vendor to resolve.

K. Product Recalls.

Vendor shall notify UIHC Procurement Services Department immediately of any product recall or alert, voluntary or otherwise. Vendor agrees to respond to a UIHC-generated recall, alert or defect report.

L. Inventory Expensing.

UIHC reserves the right to return any item in correlation with the aforementioned return policy. If and when the UIHC consumes consignment inventory, it is at this time inventory will be expensed, no sooner nor later.

M. Pricing.

Pricing must be agreed to in writing prior to any product being delivered. Pricing should be held firm for a minimum period of at least one (1) year from the date the agreement is signed.

N. Term and Termination.

An agreement shall have an initial term of one (1) year from the vendor acceptance date or as otherwise specified. An agreement may be renewed for successive one-year (1-year) terms upon the mutual written agreement of the parties. This agreement may be terminated, without cause, upon 30 days advance written notice by either party.

CORRESPONDING POLICIES

[Statement of Vendor Policy](#)

Date created: May 11, 2006

Source: Value Analysis and Procurement Services Department

Date approved: May 11, 2006

Date effective: May 11, 2006

Date Revised: September 1, 2006

Date Reviewed:

Consignment Agreement

Consignment Inventory Sheet

Vendor Name:

Items

(Add lines or attach information)

	Quantity	Price	Extended Price	Notes

Totals:

Supplier/Distributor

UI Purchasing Department

Signature

Signature

Name

Name

Title

Title

Date

Date