

Manual	Corporate Manual		Policy
Section	Finance		
Title	Procurement and Purchasing Policy		
Issuing Body/ Prepared By	Director of Finance & CFO		
Approved by	Executive Council		
Effective Date	October 2015	Version 3.0	Number: COR-FIN-A-4.50
Revised Date	January 2016, February 2019		
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BACKGROUND

The proclamation of the Broader Public Sector Accountability Act, 2010 established new rules for procurement through the Broader Public Sector (BPS) Procurement Directive. Designated organizations are required to comply with the Broader Public Sector Procurement Directive.

The purpose of the Directive is:

- To ensure publicly funded goods and services, including construction, consulting services, and information technology are acquired by BPS organizations through a process that is open, fair, and transparent;
- To outline responsibilities of BPS organizations throughout each stage of the procurement process; and
- To ensure procurement processes are managed consistently throughout the BPS.

The Directive is based on the five key principles that allow Organizations to achieve value for money while following a procurement process that is fair and transparent to all stakeholders. Bluewater Health has included a sixth principle to ensure health and safety requirements are included in the procurement process.

Accountability: Organizations must be accountable for the results of their procurement decisions and the appropriateness of the processes.

Transparency: Organizations must be transparent to all stakeholders. Wherever possible, stakeholders must have equal access to information on procurement opportunities, processes and results.

Value for Money: Organizations must maximize the value they receive from the use of public funds. A value-for-money approach aims to deliver goods and services at the optimum total lifecycle cost.

Quality Service Delivery: Front-line services provided by Organizations, such as teaching and patient care, must receive the right product, at the right time, in the right place.

Process Standardization: Standardized processes remove inefficiencies and create a level playing field.

Risk Management: Health and Safety legislation, regulations and standards are addressed during the procurement of equipment, tools, and materials to ensure potential hazards are controlled in design and purchasing stages. All equipment, tools and materials are assessed prior to purchase for existing or potential hazards. Health and Safety requirements are incorporated into the specifications for the design, tender and purchase of equipment, tools, and materials.

The Directive establishes the following mandatory requirements that Organizations must adopt and implement:

1. Establishment of a Supply Chain Code of Ethics; and,
2. Purchasing Policies and Procedures that include 25 mandatory requirements.

The objective of the Procurement Policy is to ensure ethical, efficient and accountable sourcing, contracting and purchasing activities within the organization, in compliance with the BPS Procurement Directive and all other Trade Agreements and legislative requirements.

Bluewater Health will rely upon its Shared Service Organization (SSO) to act as agent on behalf of the organization to deliver all procurement related services in a manner consistent with the BPS Procurement Directives, Trade Agreements and other applicable legislation. As our SSO, TransForm will develop and implement procedures that support all supply chain activities, including purchasing, contract management, logistics, capital procurement and vendor management. Unless specifically delegated to hospital staff, TransForm will be solely authorized to commit hospital funds for purchases by the issuance of a Purchase Order.

POLICY

This Procurement Policy governs how the organization conducts sourcing, contracting and purchasing activities consistent with the requirements set forward in the BPS Procurement Directive.

In an effort to make effective use of resources, Bluewater Health, through TransForm will take advantage of competitive bidding processes completed by strategic partners and through active memberships in group purchasing organizations such as Mohawk Medbuy, St. Joseph Health System Group Purchasing Organization (SJHS-GPO), the Ontario Ministry of Consumer and Government Services (MGCS), and affiliate Shared Service Organizations.

Mohawk Medbuy shareholders are committed to participating in Mohawk Medbuy agreements and TransForm will assist Bluewater Health in the Mohawk Medbuy contracting process.

As an agent of Bluewater Health, TransForm will work with stakeholders to determine the most advantageous and suitable procurement process including the use of Group Purchasing

Organizations, Provincial Vendor of Record opportunities, affiliate SSO agreements and TransForm led procurements.

When procuring goods, services and facilities on behalf of Bluewater Health, TransForm will incorporate accessibility criteria and features. Where applicable, procurement documents will specify the desired accessibility criteria to be met and provide guidelines for the evaluation of proposals in respect of those criteria. Where it is impractical for TransForm as an agent of Bluewater Health to incorporate accessibility criteria and features when procuring or acquiring specific goods, services or facilities, the appropriate procurement individual will provide a written explanation, on request.

This Procurement Policy is in addition to any law and policies to which the organization may be subject and that, where such law or policy conflicts with this policy, the organization is requested to consult with TransForm on behalf of Bluewater Health for supply chain guidance.

Segregation of Duties (Mandatory Requirement #1)

At least three of the five functional procurement roles must be segregated. These functional roles include: Requisitioning, Budgeting, Commitment, Receipt and Payment. Responsibilities for these roles must lie with different departments or, at a minimum, with different individuals.

Segregation of duties prevents any one person from controlling the entire purchasing process by segregating approvals for the key stages of the supply chain process.

Table 1 illustrates how TransForm segregates the five procurement roles that require segregated approval on behalf of Bluewater Health.

Role	Definition	Who
Requisition	Authorize the supply chain department to place an order	Customer requesting the product or service
Budget	Authorize that funding is available to cover the cost of the order	Customer requesting the product or service
Commitment	Authorize release of the order to the supplier under agreed-upon contract terms	Purchasing role in the supply chain department at TransForm; delegated purchasers at the hospital (pharmacy, food and nutrition, facilities, biomedical engineering)
Receipt	Authorize that the order was physically received, correct and complete	Individual receiving the goods at hospitals; individuals at TransForm for the receipts
Payment	Authorize release of payment to the	Accounts Payable role within the finance

	supplier	team at TransForm
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Table 1 – Functional Procurement Roles

Approval Authority Limits (AAS) (Mandatory Requirement # 2)

The AAS identifies, for each of the functional procurement roles identified in Table 1 above, authorities that are allowed to approve procurement for different dollar thresholds.

Approval Authority Limits are categorized by Goods and Non-Consulting Services and Consulting Services.

Prior to commencement, any procurement of goods and non-consulting services must be approved by an appropriate authority in accordance with the AAS of the organization. Refer to Signing Authority Policy for more details.

Table 2, Approval Authority Schedule, sets out the commitment authority, i.e., the person authorized to commit the Organization to a purchase, and/or contractual or financial obligation.

NOTE: The following is based on a board approved budget. Any exceptions to the approved budget would require review and approval by the board prior to the purchase or obligation proceeding. Formal approval of the budget constitutes financial approval to proceed with the procurement process. The ability to incur the actual expenditures is delegated to the Hospital staff based on the following approval limits:

Type of Expenditure	Maximum	Position
Goods and Service Contracts (Non-Consulting) Examples include: <ul style="list-style-type: none"> • Supplies • Non-Consulting Services • Minor Equipment • Board Approved Capital Equipment 	Up to \$5,000 Up to \$20,000 Up to \$100,000 Up to \$1,000,000 > \$1,000,000	Managers and Designated Staff Director VP/CFO CEO Board of Directors
Consulting Services	Up to \$20,000 Up to \$100,000 Up to \$500,000 > \$500,000	Director VP/CFO CEO Board of Directors
Contractual and Financial Obligations	Up to \$20,000 Up to \$100,000 Up to \$500,000 > \$500,000	Director VP/CFO CEO Board of Directors

Table 2 – Approval Authority Schedule

For clarity in the application of the authority approval limits:

- The dollar limits are exclusive of taxes.
- The overall value of procurement must not be reduced (e.g., dividing a single procurement into multiple procurements) in order to circumvent the approval requirements.
- For contracts, the value is based on the total value of the contract including all option years. That is, if the annual value of the agreement is \$10,000 and the term is for three years, plus two option years, the total contract value is \$50,000.

Consulting Services

Prior to commencement, any procurement of consulting services must be approved in accordance with the Procurement Approval Authority Schedule for Consulting Services below.

Procurement Approval Authority Schedule (AAS) for Consulting Services		
Procurement Method	Procurement Value	Approval Authority
Invitational Competitive	\$0 up to but not including \$100,000	AAS for goods and non-consulting services
Open Competitive	Any value	AAS for goods and non-consulting services
Non-competitive*	\$0 up to but not including \$100,000	President, CEO or equivalent
	\$100,000 or more	Board of Directors or equivalent

*Exemption-based only

Refer to Signing Authority Policy for additional Approval Authority Thresholds requirements.

Competitive Procurement Thresholds (Mandatory Requirement #3)

An open competitive procurement process must be conducted where the estimated value of procurement of goods or services is \$100,000 or more. The exemptions must be in accordance with the applicable trade agreements.

Consulting services must be competitively procured irrespective of value. The exemptions must be in accordance with the applicable trade agreements.

The value of the procurement is based on the total contract value for the good or service including any option years.

Goods, Non-Consulting Services and Construction		
Total Procurement	Means of Procurement	Recommended/Required
\$0 up to but not including \$25,000	Informal procurement (one or more quotes) or Invitational Procurement	Recommended
\$25,000 up to but not including \$100,000	Invitational competitive procurement (minimum of three suppliers are invited to submit a bid) or Open competitive procurement	Required
\$100,000 or more	Open competitive process	Required
Consulting Services		
Total Procurement	Means of Procurement	Recommended/Required
\$0 up to but not including \$100,000	Invitational or open competitive process	Required
\$100,000 or more	Open competitive process	Required

Informal Procurement can be used for the procurement of goods or non-consulting services from \$0 up to \$25,000. In this process, written quotes are obtained from one or more qualified suppliers. The lowest quote should be awarded the procurement.

Invitational Procurement can be used for the procurement of goods, non-consulting, and consulting services up to but not including \$100,000. In this process a minimum of three qualified suppliers are requested to submit a written quote or proposal per defined requirements outlined by the purchaser and based on the requirements outlined in the Procurement Directive for an invitational procurement process.

Open Competitive Procurement is required for the procurement of goods, services or consulting services \$100,000 or greater. In this process the RFX is posted on a public bid board and suppliers are requested to submit a written quote or proposal per defined requirements outlined by the purchaser and based on the requirements outlined in the Procurement Directive for an open competitive procurement process.

Vendor of Record

A Vendor of Record (VOR) is established through a Request for Supplier Qualification (RFSQ) open competitive procurement process. A vendor of record can be established to:

- Increase procurement process efficiency; and
- Obtain consistent competitive prices for the identified goods and services.

The MGCS has established VOR arrangements that are available to Organizations. Organizations may utilize VOR arrangements established by MGCS to streamline the procurement process. When utilizing an MGCS established VOR arrangement, the corresponding VOR User Guide provided by the MGCS must be followed.

Prior to establishing a VOR arrangement, approval from an appropriate authority within the Organization must be received. The approval authority must be identified based on the total estimated value of the procurement over the life of the VOR arrangement.

Approval authority thresholds for VOR arrangements are based on the established AAS as defined in Bluewater Health Signing Authority Policy.

To ensure optimum value for money from individual procurements is obtained under VOR arrangements, a second-stage selection process must be conducted. All VOR arrangements must identify methods of conducting the second-stage selection process based on dollar thresholds of a single procurement. Where the second stage of the selection process warrants invitation of only one supplier to submit a proposal, the organization should evenly distribute individual procurement opportunities over time between the suppliers wherever feasible.

Second Stage Selection Schedule

Procurement Value	Minimum Number of Suppliers to be Invited to the Second-Stage Selection
\$0 up to but not including \$25,000	1
\$25,000 up to but not including \$100,000	3
\$100,000 up to but not including \$250,000	5
\$250,000 up to the VOR ceiling price	7
More than the VOR ceiling price	Open competitive procurement

The value of the procurement must not be reduced in order to circumvent the requirements outlined in the second-stage selection process schedule.

Where there are fewer members on the VOR list than in the schedule, all suppliers on the list must be invited to participate in the invitational procurement process.

Competitive Procurement Key Process Steps (Mandatory Requirements #4 - #20)

Procurements must be conducted consistent with the mandatory requirements outlined in the BPS Procurement Directive. On behalf of Bluewater Health, TransForm will provide guidance to customers throughout the procurement process in order to help ensure compliance with all requirements. Non TransForm led procurements must also be conducted in accordance with the Directive requirements.

The Directive outlines the key process steps and related requirements that comprise procurements from the initial stage of information gathering through supplier debriefing. Individuals responsible for conducting procurement should be familiar with and accountable to the applicable process requirements as defined in the Directive.

Competitive Procurement Key Process Steps			
Mandatory Requirement #	Requirement	Mandatory Requirement #	Requirement
4	Information Gathering	13	Winning Bid
5	Supplier Pre-Qualification	14	Non-Discrimination
6	Posting Competitive Procurement Documents	15	Executing the Contract
7	Timelines for Posting Competitive Procurements	16	Establishing the Contract
8	Bid Receipt	17	Termination Clauses
9	Evaluation Criteria	18	Term of Agreement Modifications
10	Evaluation Process Disclosure	19	Contract Award Notification
11	Evaluation Team	20	Supplier Debriefing
12	Evaluation Matrix		

Non-Competitive Procurement (Mandatory Requirement #21)

To achieve optimum value for money, a competitive procurement process should be employed. It is recognized, however, special circumstances may require the organization to use non-competitive procurement.

A non-competitive procurement may only be used in situations outlined in the limited tendering, or non application clauses of the CFTA or other trade agreements.

Prior to commencement of non-competitive procurement, a Non-Competitive Procurement Exemption Form must be completed and approved by an appropriate authority within the organization. Goods and non-consulting services that go through a non-competitive process from \$25,000 up to but not including \$100,000 must be approved by the CEO. Goods and non-consulting services that go through a non-competitive process of \$100,000 or greater must have Board of Directors or equivalent approval. Consulting services obtained through a non competitive process must be signed by one level higher than the AAS; and services over \$100,000 require board approval.

Procurement Strategies

Each Organization is responsible for developing its procurement strategy based on business and legal requirements, the Directive and applicable trade agreements.

The table below describes some of the strategies that Organizations can use, however this is not an exhaustive list. Organizations should consult with the procuring organization to discuss options. The table also indicates the mandatory requirements of the Directive that Organizations are to follow when conducting procurement.

Method	Procurement Description	Intent to Enter into Contract A/Contract B	Applicable Mandatory Requirements
Competitive			
RFT, RFQ	Request for Tender/ Request for Quotation Organization sets all terms of Contract A and B; award is based on price/delivery terms	Both	All
RFP	Request for Proposal Organization sets all terms of Contract A and B; award is based on price and other factors	Both	All
RFP, RFT, RFQ	Organization sets all terms of Contract A and specifies what terms of Contract B are negotiable*	Both	All

Method	Procurement Description	Intent to Enter into Contract A/Contract B	Applicable Mandatory Requirements
Competitive			
RFSQ	Request for Supplier Qualification Two-stage selection process: 1. Create pre-qualified suppliers list or VOR list 2. Select a supplier from pre-qualified supplier's list or VOR list by utilizing process outlined in the RFSQ	Both Both	All
RFI, RFEI	Request for Information/ Request for Expression of Interest. Market research to determine procurement strategy without committing to awarding work	Neither	1,2,4,6,7,23-24
NRFP	Negotiated RFP. Organization outlines scope and desired outcomes of the procurement. Award is based on price and other factors	Neither	All
Non Competitive			
Limited Tendering, Non-Application	Negotiation of all terms of the agreement		1-3; 15; 17; 21-22
*Terms that are essential or mandatory to the agreement should not be subject to negotiation. Organizations should keep the negotiable terms at a minimum level to ensure fairness, transparency and accountability.			

The procurement strategies listed above are considered leading practice. Organizations should utilize these strategies consistently with principles of openness, fairness and transparency.

DEFINITIONS

“Accessibility Criteria” refers to the standards set out in the Accessibility for Ontarians with Disabilities Act, 2005 (AODA) to make Ontario a more accessible province for people with disabilities by removing and preventing barriers which allows an individual with a disability to maintain their dignity and independence.

“Accountability” means the obligation of an employee, agent or other person to answer for or be accountable for, work, action or failure to act following delegated authority.

“Agreement” means the formal written document that will be entered into at the end of the procurement process.

“Approval Authority” means the authority delegated by the organization to a person designated to occupy a position to approve on its behalf one or more procurement functions within the plan-to-pay cycle up to specified dollar limits subject to the applicable legislation, regulations and procedures in effect at such time.

“Award” means the notification to a proponent of acceptance of a proposal, quotation or tender that brings a contract into existence.

“Bid” means a proposal, quotation or tender submitted in response to a solicitation from a contracting authority. A bid covers the response to any of the three principal methods of soliciting bids, i.e., Request for Proposal, Request for Tender and Request for Quotation.

“Bid Protest” means a dispute raised against the methods employed or decisions made by a contracting authority in the administration of a proposal, tender, or quotation process.

“Chief Executive Officer” means the head of operations at organizations.

“Competitive Procurement” means a set of procedures for developing a procurement contract through a bidding or proposal process. The intent is to solicit fair, impartial, competitive bids.

“Conflict of Interest” means a situation in which financial or other personal considerations have the potential to compromise or bias professional judgment and objectivity. An apparent conflict of interest is one in which a reasonable person would think the professional’s judgment is likely to be compromised.

“Construction” means construction, reconstruction, demolition, repair or renovation of a building, structure or other civil engineering or architectural work and includes site preparation, excavation, drilling, seismic investigation, the supply of products and materials, the supply of equipment and machinery if they are included in and incidental to the construction, and the installation and repair of fixtures of a building, structure or other civil engineering or architectural work, but does not include professional consulting services related to the construction contract unless they are included in the procurement.

“Consultant” means a person or entity that under an agreement, other than an employment agreement, provides expert or strategic advice and related services for consideration and decision-making.

“Consulting Services” means the provision of expertise or strategic advice presented for consideration and decision-making.

“Contract” means an obligation, such as an accepted offer, between competent parties upon a legal consideration, to do or abstain from doing some act. It is essential to the creation of a contract that the parties intend that their agreement shall have legal consequences and be legally enforceable. The essential elements of a contract are an offer and an acceptance of that offer; the capacity of the parties to contract; consideration to support the contract; a mutual identity of consent or consensus ad idem; legality of purpose; and sufficient certainty of terms.

“Designated broader public sector organization” means an organization to which section 12 of the *Broader Public Sector Accountability Act, 2010* applies.

“Electronic Tendering System” means a computer-based system that provides suppliers with access to information related to open competitive procurements.

“Evaluation Criteria” means a benchmark, standard or yardstick against which accomplishment, conformance, performance and suitability of an individual, alternative activity, product or plan is measured to select the best supplier through a competitive process. Criteria may be qualitative or quantitative in nature.

“Evaluation Matrix” means a tool allowing the evaluation team to rate supplier proposals based on multiple pre-defined evaluation criteria.

“Evaluation Team” means a group of individuals designated/responsible to make award recommendation. The evaluation team would typically include representatives from the organization and subject matter expert(s). Each member participates to provide business, legal, technical and financial input.

“Goods” means moveable property (including the costs of installing, operating, maintaining or manufacturing such moveable property) including raw materials, products, equipment and other physical objects of every kind and description whether in solid, liquid, gaseous or electronic form, unless they are procured as part of a general construction contract.

“Goods and Services/Goods or Services” means all goods and/or services including construction, consulting services and information technology.

“Organizations” means all organizations listed in Application and Scope, Section 2.

“Information Technology” means the equipment, software, services and processes used to create, store, process, communicate and manage information.

“Invitational Competitive Procurement” means any form of requesting a minimum of three qualified suppliers to submit a written proposal in response to the defined requirements outlined by an individual/organization.

“Non-discrimination” means fairness in treating suppliers and awarding contracts without prejudice, discrimination or preferred treatment.

“Offer” means a promise or a proposal made by one party to another, intending the same to create a legal relationship upon the acceptance of the offer by the other party.

“Procurement” means acquisition by any means, including by purchase, rental, lease or conditional sale, of goods or services.

“Procurement Card (P-Card)” means an organizational credit card program primarily used for low-cost, non-inventory, non-capital items, such as office supplies. The card allows procurement or field employees to obtain goods and services without going through the requisition and authorization procedure. P-cards may be set up to restrict use to specific purchases with pre-defined suppliers or stores, and offer central billings.

“Procurement Policies and Procedures (PPP)” means a framework and mandatory requirements to govern how organizations conduct sourcing, contracting and purchasing activities, including approval segregation and limits, competitive and non-competitive procurement, conflict of interest and contract awarding.

“Procurement Value” means the estimated total financial commitment resulting from procurement, taking into account optional extensions.

“Purchase Order (PO)” means a written offer made by a purchaser to a supplier formally stating the terms and conditions of a proposed transaction.

“Requisition” means a formal request to obtain goods or services made within an organization, generally from the end-user to the procurement department.

“Segregation of Duties” means a method of process control to manage conflict of interest, the appearance of conflict of interest, and errors or fraud. It restricts the amount of power held by any one individual. It puts a barrier in place to prevent errors or fraud that may be perpetrated by one individual.

“Services” means intangible products that do not have a physical presence. No transfer of possession or ownership takes place when services are sold, and they (1) cannot be stored or transported, (2) are instantly perishable, and (3) come into existence at the time they are bought and consumed.

“Sub Contractor” is an individual or organization delegating specified tasks, or sub-projects, of a specific project for another organization through contractual agreements.

“Supplier/Vendor” means any person or organization that, based on an assessment of that person’s or organization’s financial, technical and commercial capacity is capable of fulfilling the requirements of procurement.

“Supply Chain Activities” means all activities whether directly or indirectly related to organizational plan, source, procure, move, and pay processes.

“Supplier Debriefing” means a practice of informing a supplier why their bid was not selected upon completion of the contract award process.

“Trade Agreements” means any applicable trade agreement to which Ontario is a signatory.

References

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