

Corporate Purchasing

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PREAMBLE

The Pembroke Regional Hospital is a public hospital in the province of Ontario that receives provincial government grants in the broader public sector. Effective April 1, 2011, under the Broader Public Sector Accountability Act, 2010, the Broader Public Sector (BPS) Procurement Directive (Directive) is applicable to broader public sector organizations, including hospitals, as provided by section 12 of the Act.

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:

- **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**
Standardization processes remove inefficiencies and create a level playing field

The intent of this policy is to ensure that Pembroke Regional Hospital:

- Achieves the best possible pricing/value for goods and services
- Provides clear guidelines regarding procurement practices
- Adheres to the Broader Public Sector Procurement Directive (issued by Management Board of Cabinet) for the acquisition of supplies, services and equipment
- Demonstrates prudent practices with the utmost integrity.

AUTHORITY TO COMMIT HOSPITAL FUNDS

- Approval authority as defined in the **Signing and Approval Authority Policy**
- The Hospital does not hire, contract or enter into any agreements with lobbyists as defined by definition in the Broader Public Sector Supply Chain Directives

COOPERATIVE GROUP PURCHASING

The Hospital believes that a long term commitment to and continued support of group purchasing efforts will result in financial benefits for the Hospital. In this regard, the Hospital participates in membership to Group Purchasing Organizations (GPO) who acts as agents of the many hospitals in Ontario by negotiating group contracts for commodity items. When the hospital enters into a contract for products, the Hospital will use the equivalent GPO contract if available unless the products do not meet the hospital's clinical requirements or is grossly deficient in some regard.

Purchases through the GPO satisfy the Broad Public Sector Procurement Directive requirements for competitive bidding. No additional vendor bids are required for purchases through a GPO.

1 PURCHASING PRACTICES

- 1.1. The following departments are authorized to create their own purchase orders:
 - Pharmacy Department for the acquisition of drugs and pharmaceuticals
 - Maintenance/Plant Services for the acquisition of day to day maintenance supplies
 - Dietary Department for the acquisition of day to day dietary requirements
- 1.2. All purchases for goods, services and equipment require the issuance of a properly authorized Purchase Order.
 - Exemptions include Utility bills, Staff Expenses (including all payroll related expenses), Conferences, Inter-hospital Diagnostic Billings, Courier/Delivery Fees, Physician remuneration, Emergency Repairs, Library and Travel.
 - The Materials Management Department will confirm appropriate approval authority has been obtained.
- 1.3. The Hospital will only be deemed to have a commitment to a vendor for the purchase of supplies, services or equipment when an official Hospital Purchase Order or Contract has been processed through the approved "Purchase Requisition Authorization" process.
- 1.4. Purchasing is centralized and co-ordinated under the Materials Management Department unless specifically delegated to the user department as described above.
 - All users performing procurement functions within the Great Plain Dynamics MMIS must conform to the guidelines, nomenclature and naming conventions and standards defined by the Materials Management Department.
- 1.5. Employees are not permitted under any circumstances, to order supplies, equipment or services for personal use or consumption using a hospital account established with any of the hospital suppliers.
- 1.6. Product trials and pilot projects are subject to a competitive tendering process.
 - Vendor products or services are not to be trialled without prior authorization/knowledge of the Evaluation and Standardization Committee.
- 1.7. All purchases are to be made on a competitive basis in order to obtain best price/value for the organization.
- 1.8. The Pembroke Regional Hospital promotes a competitive procurement process.
 - Where this is not possible, an instance of a Single or Sole Source procurement may be

necessary.

- The rationale for not completing a competitive bid process must be documented by the requesting department and must be approved in accordance to the **Signing and Approval Authority Policy**.
- **See below for Single/ Sole Sourcing Approval Form.**

- 1.9. CEO or his/her delegate has the authority to award contracts of confidential nature within the limits prescribed within this policy and the requirements of this policy are met.
- 1.10. The Information Technology Department shall provide consultation for all computer hardware, software and system related purchases.
- 1.11. Capital equipment must be procured in accordance with the **Fixed Asset Policy**.
- 1.12. All shipments and deliveries, with the exception of food and pharmaceutical deliveries, must be delivered through the Hospital Receiving Department **or** directly to the site of installation by the vendor.
 - Other exceptions must be communicated to Materials Management.
- 1.13. No Hospital Equipment or property shall be sold, removed or disposed of from the Hospital without the prior knowledge of Materials Management Department and subject to the **Disposal of Assets Policy**.
- 1.14. Capital Development and Renewal Projects falling under Ministry of Health Capital Planning Guidelines, the Hospital Act, the Planning Act, the Municipal Act, the Building Code Act or other statutory requirements shall be administered by the appointed committees and subject to the **Signing and Approval Authority Policy**.

2. PURCHASE REQUISITION AUTHORIZATION

- 2.1 Purchases of goods and services are initiated when a properly authorized requisition is received by the Materials Management Department (For further information refer to **Signing and Approval Authority Policy**).
 - This includes any revisions or amendments that affect the value or intent of any type of purchase order or contract.
 - It is the responsibility of the requisitioning department to ensure that the requisition is authorized by the appropriate authority and that funds are available for the purchase.
- 2.2 Occasionally it may be necessary for a Department to make a purchase where the total cost of the order is under \$100 or the Vendor requires advance payment before an order is released.
 - In the event of a small purchase under \$100, a Purchase Order is not required and Department Manager may pay for this item from the petty cash account or procurement card.
 - In the event of a Vendor requiring advance payment, the Department will complete and forward a Purchase Requisition to Materials Management including related order forms. Materials Management will issue a Purchase Order (PO) making notation on the PO that advance payment is required and send copy to Accounts Payable.
 - A procurement card can be used to acquire goods and services purchased online.

3 TENDERING/COMPETITIVE BIDDING PROCESS

- 3.1 The hospital tendering process must be compliant with the Broader Public Sector Procurement

Directives.

- 3.2 All employees that have requisitioning/purchasing authority are to ensure purchases are made on a competitive basis in accordance with this policy.
- 3.3 All documentation relating to the tender must be reference with the final Purchase Order as part of the record of purchase and retained for a minimum period of seven (7) years.
- 3.4 The method of procurement differs depending on the value of the goods, services or equipment being purchased.
- The requestor must not reduce the overall value of procurement (e.g. dividing a single procurement into multiple procurements) in order to circumvent procurement thresholds. The following guidelines must be followed in obtaining all procurement:

Goods, Non-Consulting Services and Construction		
Total Procurement Value	Means of Procurement	Recommended Requirement
\$0 up to \$100	Petty Cash or Procurement Card	Recommended
\$0 up to \$1,000	Procurement Card	Recommended
\$100 to \$5,000	Purchase Order	Recommended
\$5,000 up to \$25,000	Purchase Order (Minimum of 2 Quotes)	Required
\$25,000 up to \$100,000	Invitational Competitive procurement *	Required
\$100,000 or more	Open competitive process **	Required
Consulting Services ***		
The Hospital must competitively procure consulting services irrespective of value		
Procurement Value	Procurement Method	Approval Authority
\$0 - \$100,000	Invitational Competitive*	Vice President Patient Services or VP Finance and Corporate Services
\$0 - \$1,000,000	Open Competitive**	VP Finance and Corporate Services and CEO
\$1,000,000 or more	Open Competitive**	President and CEO and Chair of the Board of Directors

**Invitational Competitive Procurement means any form of requesting a minimum of three (3) qualified suppliers to submit a written proposal in response to the defined requirements outlined.*

***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. The calls for open competitive procurements must be made through an electronic tendering system that is readily accessible by all Canadian suppliers.*

****Consulting services means the provision of expertise or strategic advice that is presented for consideration and decision-making. Licensed professionals are exempt from this definition.*

- 3.5 For those goods and services not being acquired through an existing competitively negotiated contract greater than \$5,000, capital equipment, or consulting services greater than \$0, an Acquisition Approval Form must be completed and submitted for the appropriate approval according to the **Signing and Approval Authority Policy**.
- The requestor is responsible for communicating the criteria under which the process met the competitive procurement requirements.
- 3.6 Once the acquisition has been approved, the Materials Management Department will assign a procurement number to initiate the procurement process.
- All documentation pertaining to the acquisition must reference this number.
- 3.7 Departmental Directors/Managers and Material Management staff are responsible under this Policy to issue Tenders and Request for Proposals (RFP).
- 3.8 All hospital procurement processes will be administered through standardized procedures.

4 CONTRACT ADMINISTRATION

- 4.1 The Director of Pharmacy, Manager of Dietary and Director of Maintenance must authorize all purchase orders issued from their departments as outlined in this policy.
- Authorization will be evidenced by the application of the authorized signature on the Purchase Order Requisition.
- 4.2 All contract documentation (originals) shall be kept in the Finance Department.
- 4.3 Changes to Contracts, Purchase Orders and other agreements are done using the amendment process. All amendments are made by the Materials Management Department only.
- It is the responsibility of the end-user to inform Materials Management Department about changes in scope, cost, and timing of project or the items to be purchased and in accordance with the **Signing and Approval Authority Policy**.
- 4.4 Departmental Directors/Managers and Materials Management Department ensure that the terms of the contract are met and that the Hospital's interests are protected.
- The level of involvement in contract management activities will vary with the scope and complexity of the procurement.
- 4.5 No payments, other than progress payments, may be made under a contract unless an individual authorized by the appropriate end user certifies that:
- The work has been completed
 - The goods are supplied or services rendered
 - The price charged is according to the contract
- 4.6 In the case of contracts for services, claims are routed through:
- Materials Management Department for awarding contract
 - End user for verification and authorization of payment
- 4.7 Standard due date for payment is 45 days after invoicing unless otherwise specified.

- Invoices received without hospital authorized purchase order will not be paid.
- For development contracts and agreements, invoicing is described by the relevant contract or agreement and includes the appropriate accommodation of the Construction Lien Act, bonding and insurance notifications, consultant certifications, etc.

5 CO-OPERATIVE PURCHASING

5.1 The Hospital may participate with other healthcare, government or community facilities in co-operative purchasing, where it is in the best interests of the Hospital to do so.

6 DONATED OR LOANED EQUIPMENT and MATERIAL

- 6.1 Purchasing must be notified if equipment is acquired outside the tendering process.
- This includes equipment that is donated, loaned, provided as a value added in relation to consumable contracts, or acquired through another means.
- 6.2 Clinical equipment acquired outside the normal purchasing process must have an appropriate Medical Device License (if applicable) and must be registered, prior to use, with Biomedical Engineering and on the Capital Asset Register.

7 PURCHASES FOR PRODUCT EVALUATION

- 7.1 Products requiring evaluation must be processed through the Evaluation and Standardization committee.
- 7.2 Upon completion of the evaluation, proper requisitioning and purchasing processes will be followed.
- All unused vendor samples are to be returned to the vendor, unless otherwise advised by the vendor.

8 VENDOR MANAGEMENT

- 8.1 Vendor representatives should not visit hospital departments without a prior appointment.
- If this occurs, staff must direct sales representatives to the Materials Management Department.
- 8.2 Materials Management is responsible for advising potential bidders of any product performance, preference, contract particulars and other information that may facilitate tendering process.
- 8.3 Employees or members of the Medical Staff must not endorse any commercial products without the express written consent of the Hospital Board of Directors.

9 ETHICAL PRACTICE

9.1 Hospital employees and Medical staff must adhere to the Hospital's **Supply Chain Code of Ethics Statement, Conflict of Interest Policy and Receipt of Gifts by Employees Policy**.

10 DISCLOSURE TO BOARD

- 10.1 All long-term contracts (five years or more) and contracts of over \$1,000,000 in contractual value will be signed by the Board Chair in accordance with the **Signing and Approval Authority Policy**.
- Any language within a contract which allows an extension or renewal of a contract to exceed five years is also considered a five year contract (i.e. four year with two year option).

11 SAFE PROCESS AND EQUIPMENT PURCHASE AND/OR MODIFICATION

- 11.1 It is the responsibility of the requisitioner and/or the departmental approval authority to ensure that any equipment requests for purchase are assessed for existing or potential hazards and ensuring that appropriate controls are put in place prior to the request to purchase.

RELATED POLICIES:

Signing and Approval Authority Policy
Supply Chain Code of Ethics Policy
Conflict of Interest Policy
Receipt of Gifts by Employees Policy
Fixed Asset Policy
Disposal of Assets Policy