



PROCUREMENT - EQUIPMENT, SUPPLIES AND SERVICES

Manual/Section: Administrative Manual / Materiel Management	Policy No. 173
Key Words:	

1. PURPOSE:

To set guidelines for the procurement of equipment, supplies and services according to the Broader Public Sector (BPS) Procurement Directive issued by Management Board of Cabinet, effective April 1, 2011. The purpose of the Directive is:

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

The guiding principles are:

- **Accountability:** The Hospital must be accountable for the results of its procurement decisions and the appropriateness of the processes.
- **Transparency:** The Hospital must be transparent to all its stakeholders. Wherever possible, stakeholders must have equal access to information on procurement opportunities, processes and results.
- **Value for Money:** The Hospital must maximize the value it receives 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 the Hospital 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.

2. CODE OF ETHICS:

Goal: To ensure an ethical, professional open and accountable supply chain practices.

I. Personal Integrity and Professionalism

All individuals involved with purchasing or other supply chain-related activities must act, and be seen to act, with integrity and professionalism. Honesty, care and due diligence must be integral to all supply chain activities within and between BPS organizations, suppliers and other stakeholders. Respect must be demonstrated

for each other and for the environment. Confidential information must be safeguarded. All participants must not engage in any activity that may create, or appear to create, a conflict of interest, such as accepting gifts or favors, providing preferential treatment, or publicly endorsing suppliers or products.

II. Accountability and Transparency

Supply chain activities must be open and accountable. In particular, contracting and purchasing activities must be fair, transparent and conducted with a view to obtaining the best value for public money. All participants must ensure that public sector resources are used in a responsible, efficient and effective manner.

III. Compliance and Continuous Improvement

All individuals involved in purchasing or other supply chain-related activities must comply with this Code of Ethics and the laws of Canada and Ontario. All individuals should continuously work to improve supply chain policies and procedures, to improve their supply chain knowledge and skill levels, and to share leading practices.

3. POLICY:

3.1 This policy applies to all Hospital purchases with the **exception** of drugs, purchasing card acquisitions, physician free Drug samples for outpatient use only and emergency purchases outside regular working hours.

It assigns responsibility to the Director of Materials Management and delegates for the monitoring, control and processing over the purchasing of hospital equipment, supplies and services.

The use of purchasing card is limited to small value transactions as outline in section 6.4 of the Finance Payment Requisition policy No. 57.

Purchases of non-work related items, including free samples for personal use, will not be processed by Material Management and must not be delivered to the CHEO receiving dock.

The Director of Materials Management and delegates identified in this policy are the only persons authorized to engage the Children's Hospital of Eastern Ontario in setting the terms and conditions for the purchase of equipment, supplies and services. Purchasing and other delegated authorities will ensure that departments and programs receive the right product, at the right time, in the right place and at the best possible prices. For similar value, preference will be given to products with the highest Canadian content and those that are most environmental friendly.



CHEO's philosophy is to use the services of a **Group Purchasing Organization (GPO)** as much as possible for the procurement of its goods, services and equipment in order to maximize savings and optimize supply chain efficiencies. To this end, CHEO is a shareholder in Medbuy, a national GPO. As a member, Directors at CHEO participate directly in contract development and commit to purchase volume on those contracts. After ensuring due diligence in the process and that the needs of CHEO's internal stakeholders have been addressed, the following Directors are authorized to commit CHEO to any Medbuy contracts or contracts of other GPOs without ceiling amounts: Material Management, Pharmacy, and Clinical Engineering.

Decentralized purchasing approval authority is specifically granted to Facilities Services, Clinical Engineering, Perioperative Services and Information Technology Services.

- The Director of Materials Management or delegate approves contracts with vendors for the purchase of hospitals supplies, services and equipment in the normal course of operations and in accordance with Hospital policies..
- The Director of Finance or delegate approves expenditures related to payroll related deductions and physician payments in the normal course of operations and in accordance with Hospital policies.
- The Director of Facilities Management approves contracts with vendors, engineers, architects or contractors for materials or services related to the building infrastructure up to a value of \$100,000 and within the budget authority of the service.
- The Director of Clinical Engineering approves the purchase of clinical equipment and contracts for clinical equipment maintenance, service and supplies up to a value of \$100,000 and within the budget authority of the service.
- The Director of Information Technology approves contracts with vendors for software licensing, maintenance agreements and acquisition of software and hardware up to a value of \$100,000 and within the budget authority of the service.
- The Director of Perioperative Services or delegate approves requisitions with vendors for the purchase of perioperative medical and surgical supplies in the normal course of operations up to a value of \$50,000 and within the budget

authority of the service

3.2 CHEO physicians may receive or order free drug samples directly for outpatient use only. CHEO physician(s) will ensure that the supplier of free samples will clearly identify the CHEO physician name on the shipping documentation and boxes / packages. Physicians are fully responsible for the custody of the samples and to ensure that the samples are used in compliance with hospital practices. All other samples must be requested through purchasing department according to 7.5.5.

3.3 The Children's Hospital of Eastern Ontario will not assume payment **responsibility for orders placed by anyone** other than those specified in item 3.1.

3.4 With exception of Facilities Services, Clinical Engineering and Information Services the specifications and selection of goods and services, as well as vendors and service providers are decided by the Purchasing department and/or the Products Evaluation and Standardization Committee in consultation with the requestor.

3.5 The Children's Hospital of Eastern Ontario will comply with the Occupational Health and Safety Act, (as amended from time to time), and other legislation, national standards and codes of practice to ensure that all supplies and equipment purchased for use, as far as reasonably practicable, are safe and healthy for staff, patients, students and visitors. It is important that the Occupational Health and Safety issues be considered before and during any procurement.

3.6 All Purchasing requests must be forwarded to the appropriate Buyer in Purchasing who is responsible for processing these requests.

3.7 With the approval of the Board of Trustees, a sum of money will be identified annually for the purchase of expendable and major equipment. The allocation of these funds will be made based on the Standing Committees responsible for review, evaluation and prioritization of all completed requests for equipment.

3.8 Accessibility: When procuring goods, services and facilities, CHEO will comply with the standard requirements of the Accessibility for Ontarians with Disabilities Act, 2005 and related CHEO policies. Where applicable, procurement documents will specify the desired accessibility standards to be met and provide guidelines for the evaluation of proposals in respect of those standards. Where it is impractical for CHEO to incorporate accessibility criteria and features for procuring or acquiring specific goods, services or facilities, the Director of Materials Management

will provide a written explanation, upon request.

4. SCOPE:

This policy applies to all hospital staff and to all CHEO funded programs, CHEORI and fund types that purchase equipment, supplies and services.

5. DEFINITIONS:

Accountability: 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: A formal written document entered into at the end of the procurement process.

Agreement on Internal Trade (AIT): A national agreement that regulates trade between the provinces to ensure equal access to public sector procurement for all Canadian suppliers. The Agreement aims to reduce barriers to the movement of persons, goods, services and investments within Canada.

Approval Authority: The authority delegated by the Hospital 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.

Approval Level: Criteria, often dollar levels that define which approvals are needed for various business transactions. Limits are set on the size and nature of the business transactions and are assigned to the individual or job role authorized to execute based on the appropriate level of responsibility.

Authorized Requestor: Individuals entrusted by the Hospital, with budgetary responsibilities and empowered by their respective Vice President, Director or Manager to request products, supplies and services designating the cost to their respective expense codes.

Award: The notification to a proponent of acceptance of a proposal, quotation or tender that brings a contract into existence.

Bid: 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 Tender, Request for Proposal and Request for Quotation.

Bid Protest: A dispute raised against the methods employed or decisions made by a contracting authority in the administration of a



process, leading to the award of a contract.

Bidders' Conference: A meeting chaired by the soliciting BPS organization to discuss with potential proponents, technical, operational and performance specifications, and/or the full extent of financial, security and other contractual obligations related to a Bid solicitation.

Chief Executive Officer: The head of operations at the Hospital.

Clinical equipment: Equipment which is intended for use in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment, or prevention of disease, or intended to affect the structure or any function of the body.

Competitive Procurement: 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: 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 that the professional's judgment is likely to be compromised.

It is important to note that a conflict of interest exists whether or not decisions are affected by a personal interest; a conflict of interest implies only the potential for bias, not likelihood. For example: A situation in which someone who must make a decision in an official or professional capacity may stand to profit personally from the decision.

Construction: 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: Is a person or entity that under an agreement, other than an employment, provides expert or strategic advice and related services for consideration and decision-making.

Consulting Services: Is the provision of expertise or strategic advice that is presented for consideration and decision-making in such areas as management, information technology, technical activities, research and development, policy and communications. Consulting Services differ from Purchased Services and Contracted Out Services.

Contract: 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.

Contracted Out Services: Relate to one or a group of services performed for the health care facility using the providers' personnel, supplies and equipment.

Cost of Equipment: Includes the purchase price in Canadian dollars, freight, taxes where applicable, insurance and handling costs during shipping, renovation costs prior to installation, and installation cost (including consulting, engineering and other professional fees and expenses such as initial equipment/software training and manuals for user operation and technical requirements).

Designated Broader Public Sector Organization: An organization to which section 12 of the BPS Accountability Act, 2010 applies.

Direct Award: The award of a procurement contract without organizing a competitive process. A direct award is only appropriate under certain special circumstances as set out in the BPS *Supply Chain Guideline*.

Electronic Tendering System: A computer-based system that provides suppliers with access to information related to open competitive procurements.

Equipment: The definition of equipment is based on the nature and purpose, life expectancy and unit cost of each item.

Equipment - Capital: has a unit value over \$2,500 and a useful life extending beyond 1 year. The main classification rule is based on the necessity to amortize the cost over the life expectancy of the

item, generally 5, 10, 15 or 20 years.

Equipment - Expendable: has a unit value between \$250 and \$2,500 and a useful life extending beyond 1 year.

Evaluation Criteria: 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: A tool allowing the evaluation team to rate supplier proposals based on multiple pre-defined evaluation criteria.

Evaluation Team: Individuals designated/responsible to make award recommendation. The evaluation team would typically include representatives from the purchasing organization and subject matter expert(s). Each member participates to provide business, legal, technical and financial input.

Evaluation Team Lead: The individual selected by the evaluation team to be responsible for coordinating the evaluation process.

Fair Market Value: The price that would be agreed to in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length that are fully informed and not under any compulsion to transact.

Freedom of Information and Protection of Privacy Act (FIPPA): The *Freedom of Information and Protection of Privacy Act* (FIPPA) is Provincial legislation stipulating a right of access to records held by public bodies and regulates how public bodies manage personal information.

Goods: 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.

Green Procurement: The purchase of environmentally preferable goods and services and the integration of environmental

performance considerations into the procurement process including planning, acquisition, use and disposal.

Environmentally preferable goods and services are those that have a lesser or reduced impact on the environment over the life cycle of the good or service, when compared with competing goods or services serving the same purpose.

Environmental performance considerations include, among other things: the reduction of greenhouse gas emissions and air contaminants; improved energy and water efficiency; reduced waste and support of reuse and recycling; the use of renewable resources; reduced hazardous waste; and reduced toxic and hazardous substances.

Group Purchasing Initiatives (GPI): A buying group created to achieve efficiencies and economies of scale by combining the purchasing requirements and activities of multiple organizations into one joint procurement process. GPI's include cooperative arrangements in which individual members administer the procurement function for specific contracts for the group, and more formal corporate arrangements in which the organization administers procurement for group members. GPI's may involve a variety of entities, including public sector, private sector and not-for-profit organizations. Also, GPIs may develop common contracts available to a broader group, which allow members to select from multiple suppliers.

Information Technology: The equipment, software, services and processes used to create, store, process, communicate and manage information.

Invitational Competitive Procurement: Any form of requesting a minimum of three (3) qualified suppliers to submit a written proposal in response to the defined requirements outlined by the Hospital.

Members' of the Hospital: Means members of the board of trustees, senior executives and employees of the Hospital or their equivalent.

Merx and Biddingo: are internet services providing public sector organizations a means to publish and manage requests for proposals and related documents online. It is the central point for acquisition projects for the public sector at national, regional and local levels. This centralized approach ensures access to tenders to any supplier and is available, by internet, 24 hours a day, 7 days a week.



Non-Discrimination: Fairness in treating suppliers and awarding contracts without prejudice, discrimination or preferred treatment..

Offer: 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.

Organization: means every organization that is in scope for the purposes of the Management Board of Cabinet BPS Procurement Directive.

Procurement: Acquisition by any means, including by purchase, rental, lease or conditional sale of goods or services.

Procurement Card (P-Card): A credit card program primarily used for low-cost, non-inventory, non-capital items, and travel expenses. 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.

Unlike the P-card, which is primarily a purchasing tool, a corporate card is issued to an individual under a corporate program, with the purpose of paying for expenses related to their job. Corporate cards will often have individual billing but central account management.

Procurement Lead: The individual assigned for each procurement that will be accountable for meeting the requirements of this policy.

Procurement Value: The estimated total financial commitment resulting from a procurement, taking into account optional extensions.

Purchase Order (PO): A purchaser's written offer to a supplier formally stating all terms and conditions of a proposed transaction.

Purchased Services: The hiring of individuals to perform tasks, which are normally provided by the health care facility staff. The service is normally provided within the hospital facility.

Request for Expressions of Interest (RFEI): A document used to gather information on supplier interest in an opportunity or information on supplier capabilities/qualifications. This mechanism may be used when the Hospital wishes to gain a better understanding of the capacity of the supplier community to provide

the services or solutions needed. A response to a RFEI must not pre-qualify a potential supplier and must not influence their chances of being the successful proponent on any subsequent opportunity.

Request for Information (RFI): A document issued to potential suppliers to gather general supplier, service or product information. It is a procurement procedure whereby suppliers are provided with a general or preliminary description of a problem or need and are requested to provide information or advice about how to better define the problem or need, or alternative solutions. A response to an RFI must not pre-qualify a potential supplier and must not influence their chances of being the successful proponent on any subsequent opportunity.

Request for Proposal (RFP): A document used to request suppliers to supply solutions for the delivery of complex products or services or to provide alternative options or solutions. It is a process that uses predefined evaluation criteria in which price is not the only factor.

Request for Supplier Qualifications (RFSQ): A document used to gather information on supplier capabilities and qualifications, with the intention of creating a list of pre-qualified suppliers. This mechanism may be used either to identify qualified candidates in advance of expected future competitions or to narrow the field for an immediate need. The Hospital must ensure that the terms and conditions built into the RFSQ contain specific language to disclaim any obligation on the part of the Hospital to actually call on any supplier as a result of information-gathering activities to supply such materials or services.

Request for Tender (RFT): A document used to request supplier responses to supply goods or services based on stated delivery requirements, performance specifications, terms and conditions. An RFT usually focuses the evaluation criteria predominantly on price and delivery requirements. This document may also be called a Request for Quotation (RFQ) where the Hospital has described exactly what needs to be purchased and the evaluation is made solely on price.

Requisition: A formal request to obtain goods or services made within the Hospital, generally from the end-user to the purchasing department.

Segregation of Duties: 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: 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. Services may consist of labor and materials, equipment maintenance agreement, professional and consulting services purchased from external service providers and professionals.

Single Source: The use of a non-competitive procurement process to acquire goods or services from a specific supplier even though there may be more than one supplier capable of delivering the same goods or services.

Sole Source: The use of a non-competitive procurement process to acquire goods or services where there is only one available supplier for the source of the goods or service.

Supplier/Vendor: 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 a procurement.

Supplier/Vendor Debriefing: A practice of informing a supplier as to why their bid was not selected upon completion of the contract award process.

Supplies: are items that are charged to the operating budget in a single year and are considered as an ongoing operating budget expense such as testing material used in allied health disciplines. Goods that are consumable in nature are not considered equipment, irrespective of the cost. Parts and accessories purchased after the initial acquisition of a device are considered supplies when purchased individually. **Drugs** are excluded from this definition, and from this policy, in keeping with the Food and Drug Administration (FDA) Act.

Supply Chain Activities: Any activity whether directly or indirectly related to an organization's plan, source and procure, move and pay processes. It includes everything, starting from research, scoping and defining needs by end users until the final payment.

Supply Chain Management: The full range of processes that manage the flow of goods and services, information, and dollars between suppliers, customers and end-users, as well as the supporting infrastructure required to enable these processes.

Total Cost of Ownership/ Total Life-Cycle Costs (TCO): An estimate or calculation that considers all direct and indirect costs of an asset, good or service over its useful life, from acquisition to disposal. Total cost of ownership includes items such as the purchase price, implementation fees, upgrades, maintenance contracts, support contracts, license fees and disposal costs.

Transparency: A foundational objective of the PPP. BPS institutions must be open to all stakeholders. BPS suppliers must have fair access to information on procurement opportunities, processes and results.

Trade Agreements: Any applicable trade agreement to which Province of Ontario is signatory.

Value for Money/ Best Value: A foundational objective of the PPP. BPS institutions must maximize the value they receive from the use of public funds. A value-for-money approach aims to deliver products and services with a lower total life-cycle cost while maintaining a high standard.

Vendors of Record (VOR) Arrangement: A procurement arrangement that authorizes organizations to select from one or more pre-qualified vendor(s), typically by way of a formal second-stage process, for a defined period on terms and conditions, including pricing, as set out in the particular VOR agreement. Vendors-of-record arrangements are used to reduce costs to the organization by establishing strategic relationships with a small group of suppliers.

6. RESPONSIBILITY

6.1 ROLES AND RESPONSIBILITIES, PURCHASING & DELEGATES

6.1.1 Acquire a general knowledge of the marketplace; identify the most appropriate purchasing process.

6.1.2 Evaluate the overall cost of goods or services, including purchase price, quality, warranty, economies of scale, etc.

6.1.3 Present options to the requester.

6.1.4 Ensure equitable and fair purchasing practices.

6.1.5 Negotiate purchase contracts.

6.1.6 Standardize regular supplies to maximize economies of scale.

6.1.7 Ensure that the right product is delivered on time, in the right quantity, at the right place and at the agreed upon prices.

Prior to placing any orders with vendors the purchaser will:

- Ensure that all new equipment purchases are licensed for sale in Canada and CSA approved.
- Ensure that all Material Safety Data sheets are available at CHEO for all hazardous materials purchased.
- Ensure that all Clinical equipment requests are approved by the Clinical Engineering Department Director.
- Ensure that all consumable items as well as Personal Protective devices and equipment have been submitted to the Product Evaluation and Standardization Committee for approval.

6.2 ROLES AND RESPONSIBILITIES OF REQUESTORS

6.2.1 Keep abreast of trends in one's field.

6.2.2 Identify needs and specifications as precisely as possible.

6.2.3 Assess products and identify those that best meet requirements.

6.2.4 Select what will be purchased, in consultation with Purchasing department and within applicable standards.

6.2.5 Participate in the negotiation of contracts, when necessary.

7. PROCEDURE:

7.1 EXPENDABLE AND CAPITAL EQUIPMENT BUDGET PROCESS

7.1.1 The Expendable and Capital Equipment budget process is initiated once a year at the call of the CFO.

7.1.2 **Requester** completes the electronic Equipment Budget Request form for each item requested and, if required, consults with the Purchasing, Information Services, Facilities Services and Clinical Engineering, for information on pricing and installation costs.

7.1.3 **Directors** with respective **Medical Directors** review the

request forms for appropriateness and for completeness. If the request is justifiable, it is forwarded to Materials Management and to the respective Vice President, with a clear indication of the criteria listed and the priority of each request.

7.1.4 Materials Management / Clinical Engineering/Information Services consolidates requests received into a master list sorted by request type (expendable, information technology and capital), department/ program and priority and returns a list to each Vice-President for their review.

7.1.5 Respective Vice President reviews and assesses all requests received, then identifies and re-prioritizes only those submissions that best represent the needs of the VP's portfolio of services for the up-coming fiscal year taking into account the five year equipment replacement/acquisition plan for capital equipment.

7.1.6 Material Management / Clinical Engineering/Information Services update the list according to the review performed by the Vice-Presidents. Material Management / Clinical Engineering then presents the master list of equipment requested by type for the upcoming year along with all supporting *Equipment Budget Request* forms to the Senior Vice President & CFO for distribution to the responsible allocation committees. The CFO confirms the expendable and major equipment budget amounts available for the year as determined by the Executive Team in the budget allocation process and approved by the Board of Trustees, including appropriate contingency amounts to deal with emergency replacements or unanticipated requirements.

7.1.7 The Clinical Capital Equipment Committee (CCEC), comprised of members from senior management and clinical/medical directors and chaired by the Chief of Staff and Senior Vice President & CFO, evaluates and prioritizes all capital clinical and corporate equipment requests and approves a final list for acquisition in the current fiscal year

7.1.8 The Executive Team evaluates and prioritizes all expendable equipment requests and approves a final list for acquisition in the current fiscal year.

7.1.9 The Senior Vice President & CFO distributes the approved expendable information technology and major equipment list to all Directors and Managers to initiate the acquisition process.

7.2 ACQUISITION PROCESS FOR APPROVED EQUIPMENT

7.2.1 Requester acquires from Purchasing and completes the Request for Purchasing Equipment/Furniture form **(8385)** and

forwards it to their director for signature, who forwards it to Purchasing for processing.

7.2.2 **Purchasing** confirms that the request is on the approved list, and if the cost of items is in line with the allocated budget, completes the purchasing portion of the form and initiates the procurement process according to this policy and the Broader Public Sector Procurement Directive.

7.2.3 When required, Purchasing coordinates with Facilities Services, Clinical Engineering and Information Systems to ensure that the purchasing process uses the best skills of all involved.

7.2.4 When feasible, Purchasing bundles requests to maximize economies of scale, which could delay the purchasing process for some requests.

7.2.5 If the cost of the completed request exceeds the budget allocation by more than 5%, Purchasing consults with the Senior Vice President & CFO for approval.

7.3 ACQUISITION PROCESS - URGENT REQUEST FOR UNAPPROVED EXPENDABLE AND CAPITAL EQUIPMENT

7.3.1 Requester acquires from Purchasing and completes a Request for Purchasing Equipment/Furniture form (**8385**) and forwards it, along with the documentation justifying its purchase, to the respective Vice President.

7.3.2 If the respective **Vice President** approves the request, it is forwarded to the CFO for approval.

7.3.3 The **CFO** approves or declines the request. If the request is declined, it is returned to the respective Vice President and requester with appropriate explanation. If it is approved, the respective Vice President and requester are informed, and the documentation is forwarded to Purchasing for processing and inclusion in the approved expendable and capital equipment list.

7.3.4 **Ergonomic equipment/furniture requests recommended by Occupational Health and Safety:** Requester acquires and completes a Request for Purchasing Equipment/Furniture form (**8385**) and sends it, along with documentation from Occupational Health and Safety explaining the rationale for such a purchase, directly to the Director of Facilities Services for processing and review of other facility requirements.

7.4 PROCEDURE FOR ACQUISITION OF SUPPLIES OR SERVICES

7.4.1 **Inventory Items:** Requests are made on a completed *Supply Requisition - Internal - General Use* form (**8388**), including the appropriate approval, and forwarded to Stores.

7.4.2 **Non Inventory Items and Services:** Requests are made on a completed *Purchase Requisition* form (**8388**), including the appropriate approval, and forwarded to the Purchasing department who initiate the procurement according to the Broader Public Sector Procurement Directives.

7.5 REQUESTS FOR TRIALS, REPLACEMENT / NEW PRODUCTS IN INVENTORY

7.5.1 Requests for review or trial of new products, product changes/replacements or complaints can be made by staff and physicians to the chairperson or any member of the Product Evaluation and Standardization Committee (PESC).

7.5.2 All requests for trials of a new product(s) or replacements for existing products should be submitted on Form 3041 (Product Evaluation/standardization Request) to the purchasing department at least 2 weeks prior to the next meeting.

7.5.3 Form 3041 is available from the purchasing department.

7.5.4 Requestor should have the purchasing department obtain quotes for the product being requested.

7.5.5 Any requests for product samples are the responsibility of the purchasing department.

7.5.6 Request(s) should be signed by the Departmental Director who will ensure that the cost/usage for this product can be absorbed into existing budget or that increased budget amount has been approved by their respective Vice President and the CFO.

7.5.7 Once a request to evaluate has been approved, the PESC will:

- Identify an area for the trial.
- Determine the length of time for the trial.
- Insure in service for all staff participating in trial.

Upon completion of trial:

- Provide Committee with feedback and written results of trial.
- The committee will make its decision based on information received from trial.

7.5.8 Once a new or replacement product is approved for usage, the committee ensures that respective departments are notified that a procedure for usage is written, plans for in service training are developed and staff trained.

Purchasing will:

- Insure current stock of any product is depleted before the new product is used, unless situations exist that would require the removal of existing stock.

Product Addition/Deletion bulletins will be posted online to provide users with information related to the addition and deletion of all products.

7.6 SERVICE CONTRACTS

7.6.1 The Director, Materials Management may have access to all relevant information and participate in the negotiation and selection process for services, when requested.

7.6.2 Once a service contract has been established, the appropriate Director (Materials Management, Facilities Services, Clinical Engineering and Information Systems deals directly with the supplier, as necessary.

7.6.3 Before a service contract expires, the responsible Director (Materials Management, Facilities Services, Clinical Engineering and Information Systems reviews the contract and discusses the matter with the appropriate director.

7.6.4 Directors experiencing difficulties during the term of the service contract should advise Materials Management, Facilities Services, Clinical Engineering or Information Systems depending on the nature of the service.

7.6.5 A Purchase Order will be sourced according to Broader Public Sector Procurement Directives as outlined in section 8 for all service and maintenance agreements.

7.7 CONSULTING SERVICES

CHEO recognizes the need for the use of consultants to bolster the required expertise in bringing to fruition certain corporate objectives or initiatives.

The following licensed professional services are exempt from competitive bidding in the Agreement on Internal Trade (AIT): engineers, land surveyors, architects, accountants, lawyers and notaries. Nonetheless, CHEO will endeavor to review its service

arrangements with such professionals from time to time and when deemed necessary.

7.7.1 Justification for the use of consultants will be documented and will receive prior approval by the respective vice-president / CEO prior to the engagement.

7.7.2 Procurement for consulting services for a contract value of less than \$100,000, invitational competitive procurement process is required. **A minimum of three written proposals/quotes must be requested from qualified providers.**

7.7.3 Procurement for consulting services for a contract value of \$100,000 or more requires an open competitive process. Tenders must be **posted on the Merx or Biddingo**, except when the sole source exception criteria can be met as per the Ontario-Quebec trade agreement 1993, "section 5.1 "., invitational competitive procurement process is required.. Any exceptions to the competitive process using single/sole source procurement will need to be fully documented and receive prior approval as follows:

- CEO or the Senior Vice President & CFO when the contract is less than \$100,000
- Audit & Corporate Services Committee of the Board when \$100,000 or more

7.7.3 All bid proposals and related evaluation summaries are documented to support the bid award decision.

7.7.4 Formal, signed written contracts are in place before work begins with all contracts co-executed by the Director of Material Management.

7.7.5 Follow-on contracts are awarded using a separate competitive process; if not, the justification for not doing so is properly documented and approved per section 7.7.2 above.

7.7.6 Invoice payments are tied to specific deliverables, expenses reimbursed are reasonable, and detailed receipts are made available upon request. Total payments to consultants are within the pre-set contract ceiling price. Additional payments are justified with proper documentation and approval set forth herein.

7.7.7 Consultants are not considered staff and therefore should not be covered by CHEO's business and travel expenses policy. Consultants should seek reimbursement only for travel and business expenses explicitly agreed to in the contract.

7.7.8 Consultants are required to make a formal declaration of possible conflict of interests.

7.8 TENDERS/QUOTES 7.8.1 For purchases with an estimated value of less than \$500, petty cash, payment requisition, purchase order or P-Card use is acceptable. P-Card use should be in accordance with Policy # 57, Payment Requisition, sections 6.4 and 6.4.3 respectively

7.8.2 For purchases with an estimated value between \$500 and \$15,000, **verbal quotes** are required from a minimum of two suppliers (these are recorded on a Quotation Summary Sheet and attached to the purchase requisition). Where possible, written quotes are preferable.

7.8.3 For purchases with an estimated value of \$15,000 to \$99,999 **written quotes** from an invitational competitive procurement process are required from a minimum of three sources. Exceptions include specific service contracts and situations where there is only one or two identifiable supplier(s) who meet the specifications. All exceptions must be documented and authorized by the Director when within the authorization limit. Completion of a purchase requisition is required.

7.8.4 For purchases of \$100,000 and more, including a cumulative value of \$100,000 for contracts require an open competitive process. Tenders must be **posted on the Merx or the Biddingo**, except when the sole source exception criteria can be met as per the Ontario-Quebec trade agreement 1993, “section 5.1 “. Completion of a purchase requisition is required.

7.8.5 The Purchasing department co-ordinates all requests for tenders, except for clinical equipment, based on specifications prepared by the requesting director/delegate. In turn, the Clinical Engineering department co-ordinates all clinical equipment requests for tenders. This includes preparation of specifications, review of proposals, summary sheets of proposals and organization of trials (if necessary). Tenders for service contracts, renovations and construction projects are completed by the Director of Facilities Services Services.

7.8.6 Price is not the only consideration in the selection. Additional factors include meeting pre-determined specifications, service, warranty, delivery time, reliability, compatibility with existing equipment, etc.

7.8.7 All unsuccessful bidders are notified in writing by the appropriate authority.

7.9 REQUESTER APPROVAL AUTHORITY LEVELS



7.9.1 Authorized requestors are designated by the respective Vice-President, Director or Manager sending a memo to the purchasing department to be added to the approvers list. Likewise, a memo is required to notify purchasing of any termination of approvers so they can be removed from the approval list.

7.9.2 **Goods and Services** purchases are approved as follows:

Description	Value	Authority Level
Approved in operating budget	< \$5,000	Manager
	< \$15,000	Director
	< \$100,000	Vice President
	< \$500,000	Senior Vice President/CFO
	> \$500,000	Vice President + SVP/CFO + President/CEO
Approved in capital budget	< \$500,000	Senior Vice President/CFO
	> \$500,000	Vice President + SVP/CFO + President/CEO
Not approved in operating and/or capital budget	< \$25,000	Vice President + Senior Vice President/CFO
	< \$500,000	Senior Vice President/CFO + President/CEO
	> \$500,000	President/CEO + Appropriate Committee of the Board of Trustees

At the discretion of the President/CEO, authorization limits can be lowered.

7.10 COMMUNICATION WITH SALES REPRESENTATIVES

7.10.1 Before communicating directly with users, Sales Representatives must register in person with Purchasing to obtain a visitors pass and state the nature of their visit.

7.10.2 To prevent misunderstandings with the suppliers, Purchasing and or Clinical Engineering should be notified of any samples, supplies or equipment left by representatives during their visits. All samples must be provided on a no charge basis.

8. Procurement Policies & Procedures BPS Standards

The following procurement policies and procedures (PPP) standards from the Management Board of Cabinet BPS Procurement Directive form an integral part to this policy and CHEO’s procurement process.

Exemptions, Exceptions and Non-Applications under Trade Agreements

Where an exemption, exception or non-application clause exists under the Agreement on Internal Trade (AIT) or other trade agreement, the Hospital may apply this clause when conducting procurement, however in doing so, it must formally establish and document the applicability of the exception/exception or non-application.

1. Segregation of Duties



The Hospital must segregate at least three of the five functional roles: Requisition, Budgeting, Commitment, Receipt and Payment. Responsibilities for these roles must lie with different departments or, at a minimum, with different individuals. In circumstances where it is not feasible to segregate these roles, adequate compensating controls approved by the external auditor must be put in place.

2. Approval Authority

2.1 Goods and Non-Consulting Services

The Hospital must establish an approval authority schedule (AAS) for procurement of goods and non-consulting services. The AAS must identify, for each of the functional procurement roles identified in 1 above, authorities that are allowed to approve procurements for different dollar thresholds. The AAS must be approved by the Board of Trustees of the Hospital or equivalent. (refer to Section 7.8).

2.2 Consulting Services

Prior to commencement, any procurement of consulting services must be approved in accordance with the AAS for consulting services.

3. Competitive Procurement Thresholds

The Hospital must conduct an open competitive procurement where the estimated value of procurement of goods or services is \$100,000 or greater. The exemptions must be in accordance with the applicable trade agreements.

The Hospital must competitively procure consulting services irrespective of value. The exemptions must be in accordance with the applicable trade agreement.

Total Procurement Value	Means of Procurement	Recommended or Required
Less than \$500	Petty cash/P-Card/Purchase Order/Payment Requisition	Recommended
Between \$500 and \$15,000	Verbal or written quotes (minimum of two suppliers are invited to submit a bid) + Approved Purchase Requisition	Required
Between \$15,000 and \$100,000	Invitational competitive procurement (minimum of three suppliers are invited to submit a bid)	Required
\$100,000 or more	Open competitive process	Required
Consulting Services		
Total Procurement Value	Means of Procurement	Recommended or Required
\$0 up to but not including \$100,000	Invitational or open competitive process	Required
\$100,000 or more	Open competitive process	Required

The Hospital must not reduce the overall value of procurement (e.g.,

dividing a single procurement into multiple procurements) in order to circumvent competitive procurement thresholds.

4. Information Gathering

Where results of informal supplier or product research are insufficient, formal processes such as a Request For Information (RFI) or Request for Expression of Interests (RFEI) may be used if warranted, taking into consideration the time and effort to conduct them.

A response to an RFI or RFEI must not be used to pre-qualify a potential supplier and must not influence the chances of the participating suppliers from becoming the successful proponent in any subsequent opportunity.

5. Supplier Pre-Qualification

The Request for Supplier Qualification (RFSQ) enables the Hospital to gather information about supplier capabilities and qualifications in order to pre-qualify suppliers for an immediate product or service need or to identify qualified candidates in advance of expected future competitions.

Terms and conditions of the RFSQ document must contain language that disclaims any obligation on the part of the Hospital to call on any supplier to provide goods or services as a result of the pre-qualification.

6. Posting Competitive Procurement Documents

Calls for competitive procurements shall be made through an electronic tendering system that is readily accessible to all Canadian suppliers.

Construction contracts between \$100,000 and \$250,000 are not subject to the requirements of the AIT. Calls for those competitive procurements can be made through an electronic tendering system and/or one or more of the following methods:

- Publication in one or more predetermined daily newspapers that are easily accessible to all Canadian suppliers; or
- The use of source lists, such as VORs or preferred suppliers lists.

7. Timelines for Posting Competitive Procurements

The Hospital must provide suppliers a minimum response time of 15 calendar days for procurement of goods and services valued at \$100,000 or more. The Hospital must consider providing suppliers a minimum of 30 calendar days for procurements of high complexity, risk and/or dollar value.

8. Bid Receipt

Bid submission date and closing time must be clearly stated in the competitive procurement documents. The Hospital must set the closing date of a competitive procurement process on a normal working day (Monday to Friday, excluding provincial and national holidays). Submissions that are delivered after the closing time must not be considered and returned unopened.

9. Evaluation Criteria

Evaluation criteria must be developed, reviewed and approved by an appropriate authority prior to commencement of the competitive procurement process.

The competitive procurement documents must clearly outline mandatory, rated and other criteria that will be used to evaluate submissions, including weight of each criterion.

Mandatory criteria (e.g. technical standards) should be kept to a minimum to ensure that no bid is unnecessarily disqualified.

Maximum justifiable weighting must be allocated to the price/cost component of the evaluation criteria.

All criteria must comply with section 14, Non-discrimination, of the standards.

The evaluation criteria are to be altered only by means of addendum to the competitive procurement documents.

The Hospital may request suppliers to provide alternative strategies or solutions as a part of their submission. The Hospital must establish criteria to evaluate strategies or solutions prior to commencement of the competitive procurement process. Alternative strategies or solutions must not be considered unless they are explicitly requested in the competitive procurement documents.

10. Evaluation Process Disclosure

Competitive procurement documents must fully disclose the evaluation methodology and process to be used in assessing submissions, including the method of resolving tie score.

Competitive procurement documents must state that submissions that do not meet the mandatory criteria will be disqualified.

11. Evaluation Team

Competitive procurement processes require an evaluation team responsible for reviewing and rating the compliant bids.

Evaluation team members must be aware of the restrictions related to utilization and distribution of confidential and commercially sensitive information collected through the competitive procurement process and refrain from engaging in activities that may create or appears to create a conflict of interest.

Evaluation team members must sign a conflict-of-interest declaration and non-disclosure of confidential information agreement.

12. Evaluation Matrix

Each evaluation team member must complete an evaluation matrix, rating each of the submissions. Records of evaluation scores must be retained for audit purposes.

Evaluators must ensure that everything they say or write about submissions is fair, factual and fully defensible..

13. Winning Bid

The submission that receives the highest evaluation score and meets all mandatory requirements set out in the competitive procurement document must be declared the winning bid.

14. Non-Discrimination

The Hospital must not discriminate or exercise preferential treatment in awarding a contract to a supplier as a result of a competitive procurement process.

15. Executing the Contract

The agreement between the Hospital and the successful supplier must be formally defined in a signed written contract before the provision of supplying goods or services commences.

Where an immediate need exists for goods or services and the Hospital and the supplier are unable to finalize the contract as described above, an interim purchase order may be used. The justification of such a decision must be documented and approved by the appropriate authority.

16. Establishing the Contract

The contract must be finalized using the form of agreement that was released with the procurement document.

Inn circumstances where an alternative procurement strategy has

been used (i.e. a form of agreement was not released with the procurement document), the agreement between the Hospital and the successful supplier must be defined formally is a signed written contract before the provision of supplying good or services commences.

17. Termination Clauses

All contracts must include appropriate cancellation or termination clauses. The Hospital should seek legal advice on the development of such clauses.

When conducting complex procurements, the Hospital should consider, as appropriate, the use of contract clauses that permit cancellation or termination at critical project life-cycle stages.

18. Term of Agreement Modifications

The term of the agreement and any options to extend the agreement must be set out in the competitive procurement documents. An approval by an appropriate authority must be obtained before executing any modifications to the term of agreement.

Extending the term of agreement beyond that set out in the competitive procurement document amounts to non-competitive procurement where the extension affects the value and/or stated deliverables of procurement.

19. Contract Award Notification

For procurements valued at \$100,000 or more, the Hospital must post, in the same manner as the procurement documents were posted contract award notification. The notification must be posted after the agreement between the successful supplier and the Hospital was executed. Contract award notification must list the name of the successful supplier, agreement start and end dates and any extension options.

20. Supplier Debriefing

For procurements valued at \$100,000 or more, the Hospital must inform all unsuccessful suppliers about their entitlement to a debriefing.

The Hospital must allow unsuccessful suppliers 60 calendar days following the contract award notification to request a debriefing.

21. Non-Competitive Procurement

The Hospital should employ a competitive procurement process to achieve optimum value for money. It is recognized, however, that special circumstances may require the Hospital to use non-



competitive procurement.

The Hospital may utilize non-competitive procurement only in situations outlined in the exemption, exception, or non-application clauses of the AIT or other trade agreements.

Prior to commencement of non-competitive procurement, supporting documentation must be completed and approved by an authority within the Hospital by completing single/sole source documentation form.

22. Contract Management

Procurements and the resulting contracts must be managed responsibly and effectively.

Payments must be made in accordance with provisions of the contract. All invoices must contain detailed information sufficient to warrant payment. Any overpayment must be recovered in a timely manner.

Assignments must be properly documented. Supplier performance must be managed and documented, and any performance issues must be addressed.

To manage disputes with suppliers throughout the life of the contract, the Hospital should include a dispute resolution process in their contracts.

For services, the Hospital must:

- Establish clear terms of reference for the assignment. The terms should include objectives, background, scope, constraints, staff responsibilities, tangible deliverables, timing, progress reporting, approval requirements and knowledge transfer requirements.
- Establish expense claim and reimbursement rules compliant with the BPS Expense Directive and ensure all expenses are claimed and reimbursed in accordance with these rules.
- Ensure that expenses are claimed and reimbursed only where the contract explicitly provides for reimbursement of expenses.

23. Procurement Records Retention

For reporting and auditing purposes, all procurement documents, as well as any other pertinent information must be retained in recoverable form in accordance to the retention policy..

The Hospital must have a written policy for handling, storing and maintaining the supplier's confidential and commercially sensitive information.

24. Conflict of Interest

The Hospital must monitor any conflict of interest that may arise as a result of the Members' of the Hospital, advisors, external consultants or suppliers' involvement with the Supply Chain Activities. Individuals involved with the Supply Chain Activities must declare actual or potential conflicts of interest. Where a conflict of interest arises, it must be evaluated and an appropriate mitigating action must be taken.

25. Bid Dispute Resolution

Competitive procurement documents must outline bid dispute procedures to ensure that any dispute is handled in an ethical, fair, reasonable and timely fashion. Bid dispute resolution procedures must comply with bid protest or dispute resolution procedures set out in the applicable trade agreement.

Other Related Policies and Procedures

The Hospital must conduct procurement activities according to the law in Ontario, including contract law, the law of competitive processes, privacy legislation, accessibility legislation and any other legislation as may be applicable.

The Hospital may also be subject to various trade agreements, including but not limited to the Agreement on Internal Trade(AIT) and the Ontario-Quebec Trade and Cooperation Agreement (Ontario-Quebec Agreement)

8 CROSS-REFERENCES: Finance Payment Requisition Policy - No. 57
Receiving Policy – No. 168
Authorizations and Approvals Policy – No. 54

9. REFERENCES: BPS Procurement Directive -MBC
BPS Supply Chain Guideline Version 1.0
Agreement on Internal Trade (AIT)
Ontario-Quebec Procurement Agreement
Canadian Law of Competitive Processes and Contract Law
Freedom of Personal Information and Privacy Act (FIPPA)

10. ATTACHMENTS:

11. DEVELOPED BY: Director, Materiel Management
Senior Vice President & CFO