

Subject: General Purchasing Policy	
Distribution: Listowel Wingham	Created Date: February 8, 2010
	Review Date:
	Revision Date: March 8, 2011
Approver: Chief Executive Officer	Next Review Date: March 8, 2014

LWHA is a significant purchaser of supplies, services, and equipment and spends millions of dollars in the acquisition of these items each year. As stewards of public resources, LWHA must demonstrate prudent financial practices with the utmost of integrity. The General Purchasing Policy has been developed to provide clear guidelines regarding signing authority and the competitive bidding requirements for the acquisition of supplies, services, and equipment.

A. Authority to Commit LWHA Funds

Boards Role in Authorizing Funds:

The LWHA Board of Directors authorizes the commitment of operating and capital funds. Authorization occurs through the ongoing approvals of the annual financial Operating Plan and Capital Budget, the associated quarterly financial forecasts and other adhoc discussions.

LWHA Process re: Committing Funds:

Wingham and Listowel Purchasing Departments along with the Managers, Directors and VP's are responsible for the procurement of all approved supplies, services and equipment required by the hospitals. Staff in the Purchasing Departments and the Managers, Directors and VP's have been authorized as the agents of LWHA by the CEO of LWHA and are the only people authorized to commit Alliance funds towards the purchase of supplies, services or equipment. Members of Senior Management also reserve the right to purchase Professional and Consultant services.

Authorization will be evidenced in all cases by the application of the authorized individual's signature on the purchase requisition.

LWHA will only be deemed to have made a commitment to a Vendor for the purchase of supplies, services or equipment when an official purchase order has been drawn on the financial system and authorized appropriately.

B. Purchase Requisition Authorization

When a department requires the purchase of supplies, services, or equipment, the requisitioning department must draw up a purchase requisition. This requisition may be initiated on an LWHA purchase requisition form and approved by the associated Manager or Director for that department. Purchase requisitions that do not bear the appropriate authorization and cost center

will be returned to the requisitioning department for proper authorization.

C. Non-Purchase Order Expenditures

Non-Purchase Order expenditures for product should be limited, but may occur depending upon the nature of the product.

Authorization for non purchase order expenditures require the approval of the appropriate signing authority for the Functional Centre. Personal expense claims MUST be approved by the employee's immediate supervisor prior to submission to Accounts Payable.

D. Consultants

The BPS Procurement Directives define a consultant as, "a person or entity that under an agreement, other than an employment agreement, who provides expert or strategic advice and related services for consideration and decision-making."

When contemplating the engagement of consultants, the following consideration must be taken into account:

1. The assignment must be well defined and properly justified to your Vice-President of Operations or Vice-President of Clinical Services prior to an engagement.
2. The contractual arrangements must follow the LWHA policy on Contract Management and include fixed ceiling prices.
3. Payments to the vendor must be tied to specific deliverables that will be included in the contract.

The Board of Directors will approve all contracts with consultants that are valued over \$25,000. For all Board approved consultant contracts, senior management will report back to the Board on the outcome of the engagement. The Board will be advised of all engagements with consultants for contracts valued over \$10,000.

According to the BPS Procurement Directive, all consulting services must be procured using a competitive process. For contracts with a total value of less than \$100,000 (excluding taxes) this may be an invitational competitive process. For contracts \$100,000 in value or greater this must be an open competitive process. Any consulting work awarded through a non-competitive procurement must be exception based only and is subject to explicit written justification and executive or board level approval.

The Directive allows for exemptions and exceptions to the definition of a consultant due to its deference to the Agreement on Internal Trade (AIT). As a result the following classes of licensed professionals and other service providers are exempted from the directive as long as they are acting in direct relation to the expertise for which they are licensed:

- a) Medical doctors, dentists, nurses, pharmacists, veterinarians, engineers, land surveyors, architects, accountants, lawyers and notaries;
- b) Services of financial analyst or the management of investments by organizations who have such functions as a primary purpose;
- c) Health services or social services; and

- d) Advertising and public relation services.

All consultants are expected to complete a “Declaration on Conflict of Interest” prior to the commencement of their work with the LWHA.

In no circumstances can hospitality, incidental or food expenses be considered allowable expenses for consultants and contractors or in any contract between an organization and a consultant or contractor. Reimbursement for allowable expenses can be claimed and reimbursed only when the contract specifically provides for it.

E. Contracts

Contracts are legally binding arrangements between LWHA and the contracted vendor. Only selected individuals are able to legally bind the hospitals to a contract. Authority cannot be delegated.

All contracts for supplies, services, and equipment must be initiated and reviewed by the Department Director who will be incurring the expense of the contract and the VP’s.

The contract process must be initiated by the Department through a completed purchase requisition form, stating the dollars quoted in the contract.

The budgeting, forecasting and renewal of contracts are the respective Department Directors responsibility, and Materials Management is available to assist in reviewing contracts, etc.

F. Group Purchasing

LWHA believes that a long term commitment to and continued support of group purchasing efforts will reap financial benefits for LWHA. In this regard, LWHA is a member of HMMS, HealthPro, St Josephs Capital Equipment Buying Group and CMEPP, who act as agents on behalf of many hospitals in Ontario by negotiating group contracts for commodity items and capital equipment. When LWHA enters into a contract for an item or group of items, LWHA will use the equivalent HealthPro contract, if available, unless the products are deemed grossly deficient in some regard or are not compatible with existing equipment or processes.

G. Requests for Information (RFIs) and Competitive Bidding

Requests for Information (RFIs) may be issued by LWHA when the proposed equipment or service purchase price is \$100,000 or more and the Alliance is requesting a vendor solution for a specific issue or the Alliance is unsure which vendors offer the required equipment, supplies or service.

LWHA supports the process of obtaining competitive bids for all purchases or contracts of significant value. Under normal circumstances, the Director along with support from the Purchasing Department and VP Operations will obtain competitive bids for purchases or contracts valued at greater than \$ 2,000.00. All documentation relating to the competitive bids received must be kept with the final Purchase Order as part of the record of purchase.

Where a Vendor declines to provide a quotation / proposal for the particular supply, service or

equipment or such supply, service or equipment is available from only one or two Vendors, notes to this effect must be included with the final Purchase Order as part of the record of purchase.

The type of bid required differs depending on the value of the goods, services, or equipment being purchased. The following guidelines must be followed in obtaining competitive bids where:

PURCHASE VALUE	TYPE OF BID REQUIRED
\$ 2,000.00 - \$ 25,000	WRITTEN QUOTATION FROM 2 VENDOR'S
\$25,001-\$100,000	WRITTEN QUOTATION FROM 3 VENDORS'S
OVER \$ 100,000.00	WRITTEN REQUEST FOR PROPOSAL ISSUED BY LWHA AND WRITTEN VENDOR RESPONSE

Written quotations and / or Vendor responses to Requests for Proposal will be reviewed and analyzed by the Purchasing Department, the user Department, and other stakeholders where appropriate, based on the criteria outlined in the "Evaluation Process" Policy.

On occasion, certain expenditures may not be open to competitive bidding. Refer to the Policy entitled "Corporate Competitive Bidding" for the appropriate application of single or sole sourcing and for more detail on competitive bidding.

Organizations must not reduce the overall value of procurement (e.g., dividing a single procurement into multiple procurements) in order to circumvent competitive procurement thresholds.

H. Conflict of Interest

A conflict of interest is defined as a conflict between the private interests and the official responsibilities of a person in a position of trust. Every employee can be said to be in a position of trust in that their recommendation can influence the final decision as to the vendor from which LWHA may purchase supplies or services.

An employee is said to be in a conflict of interest when she or a family relation gains a financial or other personal benefit, gift, or gratuity from a decision to purchase certain supplies or services. All employees will avoid conflict of interest situations. Refer to the Policy entitled "Standards of Business Conduct" to understand when a Conflict of Interest Declaration is required.

Where a conflict of interest arises, it must be evaluated and an appropriate mitigating action must be taken.

I. Authorized Signing Authority Listing

A listing is kept in Materials Management and Accounts Payable, which identifies the appropriate signing authorities for each functional center within LWHA. The list is to be kept up to date by Finance Department. As well the Policy "Approval Authorities (Procurement)" provides a detailed

delegation of authority list for corporate purchasing.

J. Equipment Electrical and Mechanical Purchases

All equipment must meet CSA or equivalent standards and must contain an official sticker of compliance. Facility Services personnel will check each piece of equipment for compliance. Any item not meeting these requirement standards may:

1. Be upgraded to meet the standards through consultation with the ordering department, Materials Management and/or the supplier or,
2. Be returned to the supplier after consultation with the ordering department, Materials Management and/or the supplier.

Only after ensuring compliance with the electrical standards and mechanical worthiness of goods, will Facility Services contact ordering department to arrange delivery.

K. Equipment Rentals and Leases

- Leases or other external financing options will be considered under the following conditions:
- Potential financial payback from the purchase of the equipment
- The equipment will be replaced well before the end of its useful life
- The financing rate is favourable in comparison to the opportunity cost of potential investment income
- General lack of funds to purchase critical piece of equipment.

The Materials Management Department, in conjunction with the Finance Department, is to review all requests for goods to be rented or leased. A full comparative business case of buy versus rent/lease is to be prepared and presented to the appropriate Manager/Director and the VP Operations, should any of the above conditions be met. All items are to be reviewed for compliance with the capital equipment approval process.

Authority to access credit facilities must be approved by the board.

Once approved, all rentals/leases/purchases (whichever is deemed to be most beneficial) are to be ordered through Materials Management.

Reference:

Evaluation Process Policy
Corporate Competitive Bidding Policy
Standards of Business Conduct Policy
Approval Authorities (Procurement) Policy