



FIN-40-G Procurement Purchasing Goods and Services – Governing Policy

Policy Approved By: Board of Directors
Date: April 1, 2016
Supersedes: November 25, 2011
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1. Policy Purpose

The purpose of this policy is to establish the broad framework that governs procurement activities for the Children's Aid Society of Hamilton. It is required that the management level policies and procedures developed for specific procurement activities reflect the principles of this governing policy.

2. Stewardship

This policy is developed and administered by the Board of Directors.

3. Definitions

In this policy, word and expressions have the following meanings:

1. "Board" means the Board of Directors of the Children's Aid Society of Hamilton.
2. "Society" means the Children's Aid Society of Hamilton.
3. "E.D." means the Executive Director of the Children's Aid Society of Hamilton
4. "Procuring" is the process of purchasing, renting, leasing or otherwise acquiring any goods or services.

4. Scope

The provisions of this policy apply to any person in the Society involved in procurement activities including the following:

1. Board Members and appointees,
2. employees and volunteers,
3. consultants and contractors engaged by the Society

5. Policy

Objectives to be pursued when undertaking any purchasing for the Society's operations include:

- Being economical in the use of funds – procuring quality and quantity of goods and services in an efficient, timely and cost-effective manner
- Maximizing value for money – procuring quality of goods and services for effective price
- Conducting procurement with fair and equitable treatment of all suppliers

- Exercising sound financial management for sustainability of the Society
- Honouring transparency and accountability to our funders.

The Society recognizes that it is public funds and donor-based funding used in fulfilling its mandate. This establishes a high standard for maximizing the economics of purchasing decisions with a view to the sustainability of the Society. This also establishes a high standard for being transparent on the decisions made and transactions conducted in the use of these funds and the need to be free of conflict when making such decisions. It is also imperative that the use of funds is solely dedicated to the business of the Society and there is no personal gain achieved by Board members, officers, and employees of the Society and that there are no complicit actions to allow a supplier to gain inappropriately by the Society's actions or inaction.

Purchasing practices that the Society will adhere to include the following:

- Total cost information – Total lifecycle costs and benefits associated with a product or service to the Society will be analyzed in the procurement process. Total life cycle costs include the direct purchase price, maintenance and administration of the relationship. For capital assets, the total costs will include the direct purchase price, costs of servicing, warranty costs, transportation, storage and financing costs. Recognition of benefits will include any incremental or intangible benefits received from a superior product or service.
- The ability or willingness of a supplier to work with the Society to mitigate environmental/conservation concerns (e.g. elimination of unnecessary packaging) will be considered a benefit. These must however have some form of quantitative or qualitative measurement.
- No artificial subdivision of costs or contracts – The Society will not permit the artificially subdividing of projects, procurement, or contracts to avoid the requirements of this policy.
- Ethical Code of Conduct – The Society will operate with a high degree of integrity to do what is honest, fair and trustworthy in procurement decisions. All provincial and federal laws will be complied with. Suppliers will be treated with respect and be dealt with in a fair and unbiased manner. All quotation, pricing and confidential information will be treated with respect. Gift or favours of material value will not be accepted by Society personnel or be tolerated in our supplier community.
- Conflict of Interest – It is required that the Society's procurement is conducted free of any conflict of interest. This means that it is required that staff make purchasing decisions solely in the best interest of the Society and will avoid any conflict of interest in such decisions. Further, this requires that all service providers and suppliers to the Society will be required to identify any conflicts of interest at the time of tender and throughout the course of providing service and goods to the Society.
- Health and Safety – It is required that health and safety considerations be incorporated into the procurement process. The Society will ensure that all purchases meet relevant Health and Safety requirements including but not limited to Sections 25 (1) (a) and 31 (1) of the *Occupational Health and Safety Act*.
- Quality – Quality is a requirement of our suppliers. The costs and benefits of procurement will be identified and analyzed to determine the relevant value propositions. It is expected that continuous improvement in the good or service or delivery of same will be sought from the supplier relationship.

- viii. Planning – Goods and services are to be acquired after due consideration of the true needs for the goods and services, consideration of alternatives, the appropriate timing of the purchase, and consideration of the Society’s supply strategy and financial parameters.

6. Practice

1. Vendor Solicitation

Vendors will be selected by a non-competitive, competitive invitational or open competitive process according to the threshold established in:

- i. Delegated Authorities for Procurement
- ii. Competitive Procurement

Non-competitive Vendor Selection

Where the threshold permits Non-competitive Vendor Selection, the purchaser can acquire the item from the most convenient and reliable source. For purchases less than \$100, the authorized and retained purchase requisition is considered sufficient documentation for payment. For purchases greater than \$100, a Purchase Order should be used. In situations where there is no purchase order (i.e. direct purchase on a credit card), appropriate approval must be documented.

Invitational Competitive Vendor Selection

Where an Invitational Competitive Vendor Selection process is indicated, at least three comparative prices for the goods or services are to be obtained through any of the following means: written quotations, catalog or web pricing, internet bids. Where catalog or web pricing is relied upon, a copy of the pages must be made and retained in the purchase file. In rare circumstances a telephone quote is acceptable; however, all vendor and pricing information received in the telephone quote as well as the reasons for the non-written approach must be recorded and retained in the purchase file.

Open Competitive Vendor Selection

An Open Competitive Vendor Selection Process is used to ensure organizations maximize the value received from the use of public funds for procurement activities by providing wide and equal access to information on procurement opportunities, processes and results, to all stakeholders. Open competitive processes are generally conducted using a Request for Proposal (RFP) or other vehicle e.g. Request for Quotation (RFQ) or Request for Tender.

A separate Managing Policy for Open Competitive Vendor Selection and Procurement (see FIN-44) sets out the practice and procedures to be utilized.

2. Financing

Where procurement of a good or service requires it to be financed through debt or leasing arrangements, there must be a process to ensure that the most prudent

financing mechanism is selected with the intent to achieve the most cost-effective financing method while also balancing cash flow and Ministry directives. The process will include:

- i. The Director of Finance is to be fully apprised and informed on the item to be purchased by the person managing the purchase.
- ii. The Director of Finance will obtain three quotes from potential lending or finance institutions along with conditions for the provision of the financing need.
- iii. The Director of Finance will prepare an analysis and summary of the options and quotes on the financing and make a recommendation on which institution's arrangement is preferred based on a combination of costs over the term of the arrangement, flexibility of the arrangement, cash flow impact, and other conditions of the arrangement.
- iv. The Director of Finance recommendation is to be presented to the Board of Directors for consideration and approval or rejection.

3. Segregation of Duties

It is an expectation that there will be appropriate segregation of duties in at least three of the five procurement roles: Requisition, Budgeting, Commitment, Receipt and Payment. Additionally, it must be ensured that those who are selecting the supplier are not also singularly approving the item for payment, signing the cheque (or electronic payment), and recording the transaction in the Society's books of accounts.

4. Documentation

It is important to maintain documentation for accountability purposes. The following documentation is required for purchases and is required to be maintained on file for no less than seven (7) years:

- i. for non-competitive procurement greater than \$100.00 and for invitational competitive procurement, this will be in the form of a Purchase Order with authorized requisition and bid responses appended.
- ii. for open competitive procurement, this will be in the form of agreement that was released with the procurement documents, e.g. Request for Proposal, Request for Quotation, Request for Tender and proponent responses
- iii. contracts for entering into the supply agreement
- iv. the evaluation of responses to requests for proposals, quotations or tenders along with documentation on results of reference checking of potential suppliers
- v. evaluation of contracts at the end of each contract term
- vi. negotiation documentation
- vii. invoices with sufficient documentation to identify goods and services delivered and time of such delivery.

The confidentiality and commercial sensitivity of proponent/supplier information received as the result of a procurement process will be respected.

7. Management Responsibilities

Management is expected to develop the necessary management level policies and procedures to provide for full compliance with this policy. Such management level policy(ies) is to include but not be limited to:

- *Planning for Acquisition – Ensure that appropriate procedures are in place that will ensure that planning requirements are addressed and documented for all procurement to create an environment where effective use of financial and personnel resources is considered on an ongoing basis and that appreciation for public accountability is demonstrated.*
- *Procurement Practices – Ensure that adequate controls are in place such that the acquisition of goods and services are approved appropriately, that only goods and services for the benefit of the Society are acquired, that authorized goods and services are received, that payments to suppliers are only for authorized and received goods and services.*
- *Conflict of Interest – Ensure that the purchase of goods is conducted in such a manner, and without conflict of interest, so as to eliminate any possibility or appearance of improper business relationships by staff and by prospective and current suppliers of goods and services.*
- *Health and Safety – Ensure that an efficient, cost-effective and consistent process for identifying and addressing potential health, safety and ergonomic risk factors prior to the acquisition of products and services is developed.*
- *Vendor Selection – Ensure that the selection of suppliers and the acquisition of goods and services are consistent with the Governing Policy.*
- *Segregation of Duties and Clarity of Responsibility – Ensure that the person authorizing the purchase is not also the person authorizing the payment. Also establish procedures to ensure that there is clarity as to what the responsibilities of the procurer are and those of the purchaser and of the accounts payable department.*

8. Governance Responsibility for Oversight

The responsibility of the Board of Directors with respect to this Governing Policy is:

- Ensure the Board is fully aware and understands the policy for purchasing goods and services by reviewing and updating this policy every five years.
- Deal with any breaches to this policy including termination of individuals.
- Make reasonable enquiries to gain assurance that purchasing has followed the policy.
- The Board is responsible for handling any complaints from bidders or suppliers regarding unfair business practices or behaviors by Society Board Members and staff.

9. Effect on Prior Policies

The effective date of this policy is referenced above. Any prior policies regarding purchasing and other matters dealt with in this policy are hereby superseded. This policy shall have no effect on purchases made or contracts executed prior to the date this Policy is approved.

Other References

For additional direction, staff are to refer to other affiliated policies including but not limited to:

- FIN-05-G Authorities for Obligation and Payments – Governing Policy
- FIN-06 Authorities for Obligation and Payments
- FIN-41 Procurement Purchasing Goods and Services – Managing Policy