

**St. Mary's General Hospital  
Kitchener, Ontario**

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**Supply Chain Guidelines**

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**Policy Statement:** St. Mary's General Hospital will ensure that provincially derived standards for Supply Chain are adopted and followed and that these standards will promote leading practice across the organization.

**1.0 Purpose:**

- 1.1 To set basic overarching principles of conduct for SMGH, their suppliers, and other stakeholders as part of a Code of Ethics and to establish standardized rules for competitive procurement and contracting.

**2.0 Scope:**

**This policy applies to:**

- 2.1 All contracts covering the acquisition of supplies, services (including construction) and equipment.
- 2.2 All purchases for supplies, services (including construction) and equipment.
- 2.3 Please see the Broader Public Procurement Directive developed by the Ontario Ministry of Finance for additional details.

**Definitions:**

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

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

**"Consulting Services"** means the provision of expertise or strategic advice that is presented for consideration and decision-making.

**3.0 Supply Chain Code of Ethics**

The code of ethics is comprised of three main principles. This Code must be available and visible to all employees involved in supply chain related activities.

**3.1 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 Broader Public Sector (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 favours, providing preferential treatment, or publicly endorsing suppliers, or products.

### **3.2 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.

### **3.3 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.

#### **Background:**

#### **Procedure/Process:**

### **4.0 Procurement Requirements**

These requirements set out standardized rules for competitive procurement and contracting. The rules balance numerous objectives, including accountability, transparency, value for money and, ultimately, effective and high quality service delivery.

The Ontario Ministry of Finance has developed twenty five mandatory procurement requirements that must be followed by all BPS Organizations including SMGH. These requirements are as follows:

1. Segregation of Duties - SMGH must segregate at least three of the five functional roles identified in Appendix 1. Responsibilities for these functions should lie with different departments or at a minimum with different individuals.
2. Approval Authority - SMGH must have a documented approval authority schedule (AAS) that outlines the organization's authority levels for each of the five functional roles described in the segregation of duties (Appendix 1) and seek the necessary approval for all procurements prior to conducting the procurement. See Policies for Capital Purchases (740-21.3), Purchase Requisitions (740-9), and Authorization to Commit Funds for Equipment, Supply, and Services Purchases (740-21) for documented delegation. This AAS must be approved by the Board of Trustees.

Prior to the commencement of any non-competitive procurement of goods or non-consulting services must be approved by an authority one level higher than the AAS requirements for competitive procurement.

3. Consulting Services – Prior to commencement, any procurement of consulting services must be approved in accordance with the following:

<b>Procurement Approval Authority Schedule (AAS) for Consulting Services</b>		
<b>Procurement Method</b>	<b>Procurement Value</b>	<b>Approval Authority</b>
Invitational Competitive	\$0 up to but not including \$100,000	As per the AAS for goods and non-consulting services
Open Competitive	Any value	As per the AAS for goods and non-consulting services
Non-competitive*	\$0 up to but not including \$1,000,000	President, CEO or equivalent
	\$1,000,000 or more	Board of Directors or equivalent

\*Exemption-based only

St. Mary's will not reduce the overall value of the procurement (e.g. dividing a single procurement into multiple procurements) in order to circumvent the approval requirements of the organizational AAS or the AAS for Consulting Services.

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 Interest (RFEI) may be used if warranted, taking into consideration the time and effort required to conduct them. A response to a Request for Information (RFI) or Request for Expression of Interest (RFEI) must not pre-qualify a potential supplier and must not influence their chances of being the successful proponent on any subsequent opportunity.
5. **Supplier Pre-Qualification** - SMGH must ensure that the terms and conditions built into the Request for Supplier Qualifications (RFSQ) contain specific language to disclaim any obligation on the part of SMGH to actually call on any supplier as a result of the pre-qualification to supply such materials or services.
6. **Posting Competitive Procurement Documents** – Calls for open competitive procurements must be made through an electronic tendering system that is readily accessible by all Canadian suppliers.
7. **Timelines for Posting Competitive Documents** - SMGH must provide suppliers a minimum response time of 15 calendar days for procurements valued at \$100,000 or more. SMG must also consider providing suppliers with a minimum response time of 30 calendar days for procurements of high complexity, risk and/or dollar value.
8. **Bid Receipt** - SMGH must ensure that the closing date is set on a normal working day (Monday to Friday, excluding provincial and national holidays) and that the date and time are clearly stated in the procurement documents. Submissions that are delivered after the closing time must be returned unopened.
9. **Evaluation Criteria** - Evaluation criteria must be developed, reviewed and approved before the competitive process begins. These criteria must be included in the competitive documents. The competitive documents must also identify those criteria that are considered mandatory and any technical standards that need to be met. The evaluation criteria cannot be changed or altered once the competitive process has begun. The weight of each criterion must be outlined in the competitive documents. Mandatory criteria 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 mandatory requirement #14 outlined below. The evaluation criteria may only be altered by means of addendum to the competitive procurement documents.

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

10. **Evaluation Process Disclosure** - SMGH must fully disclose the evaluation methodology and process to be used in assessing a supplier's submission in the procurement documents, including the methods of resolving a tie score. Competitive procurement documents must also state that submissions that do not meet with 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 made 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 appear to create a conflict of interest. Evaluation team members must sign a conflict-of-interest declaration and non-disclosure of confidential information agreement. (Appendix 3)
12. **Evaluation Matrix** - SMGH must ensure that each member of the evaluation team has completed an evaluation matrix rating each of the proponents. Records of evaluation scores must be retained for audit purposes. Evaluators should be aware that everything they say or document must be fair, factual, fully defensible and may be subject to public scrutiny.
13. **Winning Bid** - SMGH must select the submission that receives the highest evaluation and meets all mandatory requirements set out in the competitive procurement document.
14. **Non-Discrimination** - SMGH 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 SMGH and the successful supplier must be defined formally in a signed written contract before the provision of the goods, services or construction commences. Where an immediate need exists for goods or services, and SMGH and the supplier are unable to finalize the contract as described above, an interim purchase order may be used. The justification of such decision must be documented and approved by the appropriate authority.
16. **Establishing the Contract** - The contract must be finalized using the form of agreement/contract that was released with the procurement document.

In 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

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

17. **Termination Clauses** - All contracts must include appropriate cancellation or termination clauses and SMGH should seek appropriate legal advice on the development of these clauses.

When conducting complex procurements, SMGH 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 procurement document. Prior written approval by the appropriate approval authority is necessary before making any modifications to the term of the 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 purchases valued at \$100,000 or greater, SMGH must post, in the same manner as the procurement documents were posted, the name(s) of the successful supplier(s). Contract award notification must occur only after the agreement between the successful supplier and the organization has been executed. The contract award notification must include the agreement start and end dates, including any options for extension.

20. **Supplier Debriefing** - For purchases valued at \$100,000 or greater, SMGH must inform all unsuccessful suppliers of their entitlement to a debriefing. SMGH must allow unsuccessful suppliers 60 calendar days following the date of the contract award notification to request a debriefing.

21. **Non-Competitive Procurement** - SMGH should employ a competitive procurement process to achieve optimum value for money. It is recognized, however, that special circumstances may require SMGH to use non-competitive procurement. SMGH may utilize non-competitive procurement only in situations outlined in the exemption, exception, or non-application clauses of the Agreement on Internal Trade (AIT) or other trade agreements.(Appendix 2)  
Prior to commencement of non-competitive procurement, supporting documentation must be completed and approved by an appropriate authority within SMGH.

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 overpayments 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, SMGH should include a dispute resolution process in their contracts.

For services, organizations 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 Broader Public Sector Expenses Directive and ensure all expenses are claimed and reimbursed in accordance with these rules (see Policy – Consultant or Supplier Expense).
- Ensure that expenses are claimed and reimbursed only where the contract explicitly provides for reimbursement of expenses.

23. **Procurement Records Retention** - All procurement documents, as well as any other pertinent information for reporting and auditing purposes must be maintained by SMGH for a period of seven years and be in recoverable form if requested. SMGH must have a written policy for handling, storing and maintaining suppliers' confidential and commercially sensitive information.

24. **Conflict of Interest** - SMGH must monitor any conflicts of interest during procurement activities applicable to all employees, advisors, external consultants or suppliers. SMGH must require any individual involved in supply chain related activities to declare all 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** - SMGH must communicate the bid protest procedures for suppliers in all competitive and procurement documents to ensure that any dispute is handled in an ethical, fair, reasonable and timely fashion. SMGH must ensure that its process is compliant with the bid protest procedures as set out in the applicable trade agreements..

## 5.0 Other

SMGH 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.

SMGH 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).

## APPENDIX 1

### Segregation of Duties

Effective control in an organization includes both the delegation of authority and segregation of duties across functions and individuals. Segregation of duties prevents any one person from controlling the entire purchasing process by segregating approvals for the key stages of the supply chain process. There are typically five procurement roles that require segregated approval as illustrated below:

Recommended Framework: Typical Procurement Roles Requiring Segregation of Duties

<b>Roles</b>	<b>Explanation</b>	<b>Who</b>
<b>Requisition</b>	Authorize the supply chain department to place an order	Customer requesting the product or service
<b>Budget</b>	Authorize that funding is available to cover the cost of the order	Departmental budget holder
<b>Commitment</b>	Authorize release of the order to the supplier under agreed-upon contract terms	Purchasing role in the supply chain department
<b>Receipt</b>	Authorize that the order was physically received, correct and complete	Individual receiving the goods
<b>Payment</b>	Authorize release of payment to the supplier	Accounts Payable role within the finance team

## **APPENDIX 2**

### **Exemptions from the Competitive Process**

In certain unique circumstances, organizations will not have the ability to go through a competitive process for their procurement activity. This section covers non-competitive purchasing when an organization goes directly to one supplier to meet the requirements of the procurement.

There are two main types of direct awards.

- a. Single Sourcing is the use of a non-competitive procurement process to acquire goods, services or construction from a specific supplier even though there may be more than one supplier capable of delivering the same goods, services or construction.
- b. Sole Sourcing means 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.

### **Single Sourcing**

Allowable exceptions for competitive procurements include:

- a. Where an unforeseen situation of urgency exists and the goods, services or construction cannot be obtained by means of open procurement procedures. Where a non-competitive procurement is required due to an urgent situation, organizations may conduct the procurement prior to obtaining the appropriate approvals provided that the urgency has been justified in writing;
- b. Where goods or consulting services regarding matters of confidential or privileged nature are to be purchased and the disclosure of those matters through an open competitive process could reasonably be expected to compromise confidentiality, cause economic disruption or otherwise be contrary to the public interest;
- c. Where a contract is awarded under a cooperation agreement that is financed, in whole or in part, by an international organization only to the extent that the agreement includes different rules for awarding contracts;
- d. Where construction materials are to be purchased and it can be demonstrated that transportation costs or technical considerations impose geographic limits on the available supply base, specifically in the case of sand, stone, gravel, asphalt compound and pre-mixed concrete for use in the construction or repair of roads;
- e. Where an open competitive process could interfere with the organization's ability to maintain security or order or to protect human, animal or plant life or health;
- f. Where there is an absence of any bids in response to an open competitive process that has been conducted in compliance with this document; and
- g. Where only one supplier is able to meet the requirements of procurement in the circumstances (sole sourcing).

**Sole Sourcing**

In accordance with the AIT, in the situation where only one supplier is able to meet the requirements of procurement, an organization may use procurement procedures that differ from those described in this document in the following circumstances:

- a. To ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licenses, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative;
- b. Where there is an absence of competition for technical reasons and the goods or services can only be supplied by a particular supplier and no alternative or substitute exists;
- c. For the procurement of goods or services, the supply of which is controlled by a supplier that is a statutory monopoly;
- d. For the purchase of goods on a commodity market;
- e. For work to be performed on or about a leased building or portions thereof that may be performed only by the leaser;
- f. For work to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work;
- g. For a contract to be awarded to the winner of a design contest;
- h. For the procurement of a prototype or a first good or service to be developed in the course of and for a particular contract for research, experiment, study or original development, but not for any subsequent purchases;
- i. For the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership, but not for routine purchases;
- j. For the procurement of original works of art;
- k. For the procurement of subscriptions to newspapers, magazines or other periodicals; and
- l. For the procurement of real property.

See procedure for Purchase Order Conditions for Equipment 740-21-1.

See procedure for Purchasing Capital Equipment 740-21-3.

See procedure for Capital Equipment Budgeting and Review Process 740-21-2.

See procedure for Furniture Purchasing 740-21-4.

See Policy for Trial or Evaluation of Goods, Supplies and Equipment 740-19

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ORIGIN: PURCHASING POLICY NO: 740-21  
 DATE APPROVED: May 11, 2009; March 30, 2011  
 APPROVED BY: Senior Team  
 DATES REVISED: March 30, 2011  
 DATES REVIEWED:  
 RESPONSIBILITY: PURCHASING

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*Where relying upon any St. Mary's General Hospital policy and/or procedure, users are requested to consult the online policy and procedure manual to ensure access to, and use of the most*

*current, up-to-date and accurate policy. St. Mary's General Hospital cannot guarantee the currency or accuracy of any printed policy and/or procedure.*



**Conflict of Interest & Confidentiality Form  
For Request for Proposal (RFP) Evaluation Committee Members**

Name of Evaluation Committee Member: \_\_\_\_\_

Name of RFP: \_\_\_\_\_

You have been chosen as a Committee member for this RFP Evaluation. Please read the following information on conflict of interest to see if you have any problem or potential problem in serving on this committee.

Past Employment

In order to avoid the appearance of a conflict of interest, St. Mary's General Hospital has a policy that no individuals may serve on Evaluation Committees who have been in the employ of prospective vendors within one year prior to the publication date of the RFP.

Code of Conduct

The policy of St. Mary's General Hospital specifically prohibits employees from accepting meals and gifts from vendors or prospective vendors.

Conflict of Interest

No member of a Committee shall participate in the evaluation of an RFP if that Committee member or any member of his or her immediate family:

- has direct or indirect financial interest in the award of the contract to any proponent;
- is currently employed by, or is a consultant to or under contract to a proponent;
- is negotiating or has an arrangement concerning future employment or contracting with any proponent; or,
- has an ownership interest in, or is an officer or director of, any proponent.

Confidentiality

By signing below I confirm receipt of information pertaining to:

Request for Proposal (RFP) and that I shall treat all information gathered/generated for the purpose of evaluating this RFP as confidential.

I will not disclose, publish or otherwise reveal any of the Confidential Information received in this process to any other party except with the specific prior written authorization of SMGH.

I agree to direct company representatives wanting to discuss matters related to the aforementioned RFP to the SMGH contact person named in the RFP.

Confidential Information shall include all data, product evaluation information, materials, products, technology, computer programs, specifications, manuals, software, financial information, and other information disclosed or submitted, orally, in writing, or by any other media regarding the aforementioned RFP as well as the content of any discussions pertaining to the award of contracts pursuant the RFP.

Please sign below acknowledging that you have received and read this information. Return this portion of the form to Purchasing no later that the first Committee Meeting. If you have a conflict or potential conflict, return this acknowledgment form with information regarding the conflict. I have read and understood the provisions related to the conflict of interest when serving on RFP Evaluation Committees. If any such conflict of interest arises during the Committee's review of this project, I will immediately report it to the Purchasing Department.

Signed \_\_\_\_\_

Date: \_\_\_\_\_