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<b>Procurement Procedure</b>	<b>FIN.PR.1.4.3</b>	<b>December 2016</b>
Issuing Department	Version	Applicability
<b>Finance</b>	<b>2.0</b>	<b>All ESA Employees</b>
Author	Owner/Title	Last Revision
<b>Kevin Greer, Director of Finance Yolanda Palao, Manager, Financial Services</b>	<b>Lesley Gallinger, Vice President, Corporate Services &amp; Chief Financial Officer</b>	<b>September 8, 2008</b>

## Procurement Procedure

### Version History

Version	Author	Key Changes
1.0	Wayne Howard Yolanda Palao	Original Procedure
2.0	Kevin Greer Yolanda Palao	Updated

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## 1.0 Purpose

The purpose of this Procedure is to establish a value-based procurement system by utilizing quality-based selection criteria for acquisition of goods and services in which ESA receives the best value for the price offering, and operates with a fair, open, and transparent procurement process.

## 2.0 Scope

This *Procedure* applies to:

- a) All employees who procure and authorize procurement of goods and services for ESA;
- b) All ESA procurement.

## 3.0 Objective

The objectives of this *Procedure* are to:

- a) ensure procurement of goods and services is driven by the approved budget;
- b) to ensure and to provide an open and transparent procurement process;
- c) identify and select vendors based on quality-based selection processes that offer the mix of reliability, quality, customer service, price and warranty package with emphasis on quality and value to ESA;
- d) to protect ESA, employees, and vendors involved in the procurement process by providing clear direction, authorities, and accountabilities;
- e) establish cost control culture and enhance operational efficiency;
- f) enforce internal compliance.

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## 4.0 Procedure Content

### 4.1 General Rules

1. All ESA procurement must conform to the principles, requirements, and responsibilities under the Code of Conduct, Procurement Policy, the Policy for Delegation and Exercise of Authority (including the Organizational Authority Register- OAR), and other related procedures and guidelines.
2. Contract Splitting
  - Procurement of goods and services must not be split in order to avoid the requirements of Section 4.2 Procurement Mechanisms.
2. Non-budgeted items
  - The Approver shall not authorize any purchase for expenses that are not budgeted or approved;
  - Purchases shall not be made for those approved line items of budget which do not have sufficient remaining fund for expenses;
  - Unbudgeted expenditures must follow authorizations described in the OAR.
3. Conflict of interest
  - All employees must adhere to ESA's Code of Conduct – Avoiding conflicts of interest, when dealing with suppliers or potential suppliers of goods and services;
  - Employees authorized to procure goods and services on behalf of ESA must disclose the full details to their respective manager and/or vice president, of any material conflict of interest, perceived or actual, between them and a supplier or potential supplier which could impair their ability to render unbiased advice, or make unbiased decisions affecting the procurement of goods and/or services;
  - It is expected that no staff member shall make any personal gain, financial or otherwise, from his or her position at ESA;
  - No employee shall accept a gift or gratuity or other personal favour from a supplier with whom the affected employee deals in the course of the performance of her/his duties and responsibilities with ESA. However, associating with suppliers at meeting or during meals is acceptable provided the employee keeps herself/himself free of any obligations;
  - In exceptional circumstances where accepting a gift or gratuity or other personal favour may be appropriate, the value of the gift must be no greater than \$ 15 in cash value unless approved by the Vice President.
4. Contracts or formal agreements with vendors require the review and approval of ESA's legal department.

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## 4.2 Procurement Mechanisms

### 1. Small Order Purchases

- For purchases up to \$10,000, exclusive of applicable taxes, subject to the limits of OAR.
- A competitive process is not required provided the terms and conditions of such purchase is considered reasonable and appropriate for ESA.
- A purchase order document is not necessary unless requested by the Finance department and/or vendor for tracking purposes.

### 2. Competitive Process

#### A. Informal Quotation Purchases

- For purchases greater than \$10,000 and up to \$30,000, exclusive of applicable taxes.
- Purchases of goods and services up to an amount of \$30,000, subject to the limits of OAR, with terms and conditions considered appropriate to ESA are subject to:
  - (i) Obtaining and documenting a minimum of three telephone or written quotations, with a written confirmation from the selected supplier; signed faxed quotes are acceptable.
- For professional consulting services, a contract must be prepared and signed by ESA and the selected vendor.
- A purchase order document is not necessary unless requested by the Finance department and/or vendor for tracking purposes.

#### B. Formal Quotation Purchases

- For purchases greater than \$ 30,000, exclusive of applicable taxes.
- Unless otherwise specifically authorized by the Chief Executive Officer (CEO) and/or the Board of Directors, employees authorized under the OAR shall procure goods or services having an estimated value greater than \$30,000 through a competitive process.
- A minimum of three potential vendors will be requested to submit written proposals.
- A purchase order shall be issued to the successful vendor.
  - (i) The responsible department is required to submit a Purchase Requisition (PR) to the Finance department along with copies of vendor proposals or quotes, assessment or summary of vendor evaluation showing the criteria used and rationale for vendor selection.
  - (ii) The Finance department, upon ensuring that all documents are in order, will issue the required Purchase Order signed by the Director or Chief Financial Officer.

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C. Request for Proposal (RFP)

- The responsible department may issue an RFP when the goods and services required, or a portion thereof, cannot be specifically stipulated, when ESA’s requirements are best described in a general performance specification and/or when alternative or innovative solutions or methods are being sought for supply of goods or for performance of certain functions or services.
- The RFP process may involve negotiations following the opening of proposals on any or all of the specifications, contract terms, prices or any other matter relating to the proposal.
- The evaluation criteria and process for each RFP shall be developed by the responsible department.
- A minimum of three potential vendors will be requested to submit written proposals.
- A purchase order shall be issued to the successful vendor.
  - (i) The responsible department is required to submit a Purchase Requisition (PR) to the Finance department along with copies of vendor proposals or quotes, assessment or summary of vendor evaluation showing the criteria used and rationale for vendor selection.
  - (ii) The Finance department, upon ensuring that all documents are in order, will issue the required Purchase Order signed by the Director or Chief Financial Officer.

3. Purchases that maybe exempt from the Competitive Procurement Process

A. Single Source Procurement

- Purchases by sole procurement may be adopted if, in the judgment of the Vice President or Chief Executive Officer, any of the following conditions apply:
  - (i) Goods and/or services are in short supply due to market conditions;
  - (ii) Documented evidence is provided which confirms that the extension or reinstatement of an existing contract would prove most cost-effective or beneficial;
  - (iii) Where a contractor or vendor able to do the work is already in the vicinity and it is deemed to be beneficial and cost-effective for ESA to engage their services to complete the work;
  - (iv) When only one tender or proposal is received through the procurement process and it is impractical to initiate the process again.

B. Purchase by Negotiation

- Purchase by negotiation with one or more vendors under one or more of the following conditions:
  - (i) When market conditions and the goods are in short supply; or
  - (ii) When there is only one source of supply;

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- (iii) When there may be more than one source of supply but only one source is recommended by Vice President for consideration on the grounds that it is more cost-effective or beneficial to ESA;
- (iv) Board of Directors authorizes purchase by negotiation by way of resolution.

#### 4. Purchase by Corporate Procurement Card (CPC)

- Where costs and risks are justified, the CPC is to be issued to ESA staff for processing employee business expenses and purchases of small value goods and services for ESA.
- The purpose of the procurement card is to simplify the payment and recording of any appropriate spending on ESA business matters according to prescribed policies and procedures.
- All employees possessing an ESA Corporate Procurement Card must adhere to the Business Expenses Procedure (and related Appendices), Travel, Meals, Hospitality and Related Expenses Guideline, and Procedure for Reporting Taxable Benefit Expenses.

#### 5. Out of pocket expense reimbursement

- If employees do not have a Corporate Procurement Card for business expenses, reasonable, appropriate, and approved out of pocket expenses maybe reimbursed through the Accounts Payable process.
- Out of pocket reimbursements must adhere to the Business Expenses Procedure (and related Appendices), Travel, Meals, Hospitality and Related Expenses Guideline, and Procedure for Reporting Taxable Benefit Expenses.

#### 6. Petty Cash

- For departments that require petty cash, payments for goods purchased cannot exceed \$ 100.00 and receipts must be approved by the appropriate delegated authority.
- Petty cash must be reimbursed at least once per month through the Accounts Payable process.
- Petty cash balance must be confirmed and signed for by the responsible department every year end.

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### 4.3 Compliance and Reporting Responsibilities

#### 1. Compliance

- All ESA employees are required to comply with this Procedure. Each Vice President is responsible for ensuring that employees in their department comply with this Procedure, the Procurement Policy, and other related policies, procedures and guidelines.

#### 2. Audit, review, and reporting

- Finance will complete an audit or review on a periodic basis as deemed appropriate to ensure compliance to this procedure. The findings of audit or review will be reported to the Vice President, Corporate Services & CFO.
- The Vice President, Corporate Services and Chief Financial Officer (CFO) is responsible for monitoring compliance with and administering this procedure. The CFO will report on compliance with this Procurement Procedure through internal control reports to the Audit Committee once a year.

## 5.0 Legislative Authority

*None*

## 6.0 Evaluation, Monitoring and Review

ESA's VP, Corporate Service & Chief Financial Officer will regularly review and monitor this *Procedure* to ensure that it remains current, relevant, and effective in meeting its purpose and objectives.



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## 7.0 Interpretation

For purposes of this *Procedure*, unless otherwise stated, the following definitions shall apply:

<u>Term</u>	<u>Definition</u>
Approver	Refers to any person who is in the same chain of command as the employee incurring and claiming the particular business expense(s), and who has the authority to approve the particular business expense(s).
OAR	Organizational Authority Register
CPC	Corporate Procurement Card

## 8.0 Associated Policies and Procedures

Procurement Policy  
 Policy for Delegation and Exercise of Authority (including Organizational Authority Register-OAR)  
 Business Expenses Procedure (and Appendices)  
 Travel, Meals, Hospitality and Related Business Expenses Guideline  
 Procedure for Reporting Taxable Benefit Expenses  
 Procedure for Legal Review of Contracts  
 Code of Conduct

## 9.0 Associated References

Administrative Agreement  
 Ontario Public Service Procurement Directive