

KINGSTON GENERAL HOSPITAL

ADMINISTRATIVE POLICY MANUAL

Subject: Contract Management – Procurement of Goods & Services **Number: 03-005**

Reviewed by: Chief Financial Officer, Operations Committee

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Original Issue: 1987.04

Issued by: President & Chief Executive Officer

Last Revision: 2010.03

Date Revised: 2010.03

Purpose

To outline the responsibilities and procedures for initiating, approving and executing contracts for goods and services on behalf of Kingston General Hospital (KGH).

Policy

3SO acts as the agent of KGH for contracting the procurement of goods and services on behalf of KGH, except as noted below:

- a. Construction & property contracts managed by the Joint Planning Organization (JPO);
- b. Employment contracts managed by the Human Resources Departments;
- c. Corporate agreements with funding agencies, (e.g. Hospital Services Accountability Agreement), affiliation agreements (e.g. Queens University, St. Lawrence College, etc.), corporate services (e.g. insurers, banks, auditors) will be developed and/or processed by the appropriate department with the COO Office;
- d. Physician and student agreements managed by Medical Affairs and Human Resources;
- e. Research agreements managed by Research Administration;
- f. Pharmaceutical and Food purchases, which are purchased by the KGH Purchasing Department in cooperation with the applicable departments. In addition capital equipment and redevelopment projects greater than \$200,000 are also secured through the KGH Purchasing Department.

Group Purchasing Organizations (GPO) will be utilized where appropriate by 3SO and KGH Purchasing Department (e.g. Medbuy, HealthPRO, St Joe's CAHO Capital Buying Group), as will government-mandated purchasing arrangements (i.e. for certain pharmaceuticals, equipment etc.) managed by the applicable department(s).

3SO is the primary contracting agent for goods and services on behalf of KGH in accordance with the Signing Authorization and Banking Resolution (Appendix A). Each of the above areas are responsible for maintaining a database of all approved contracts, tracking expiry dates and ensuring compliance of terms and conditions for areas under their respective authority.

3SO will only process orders for appropriately authorized goods and services contracts.

3SO must have copies of all contracts that are related to its area of responsibility to expedite processing.

KGH Purchasing Department and other areas responsible for contracts (as noted above) similarly will only process orders for appropriately authorized contracts and must have copies of all contracts that are in its area of responsibility. All areas must comply with the KGH Sign Authorization and Banking Resolution (Appendix A).

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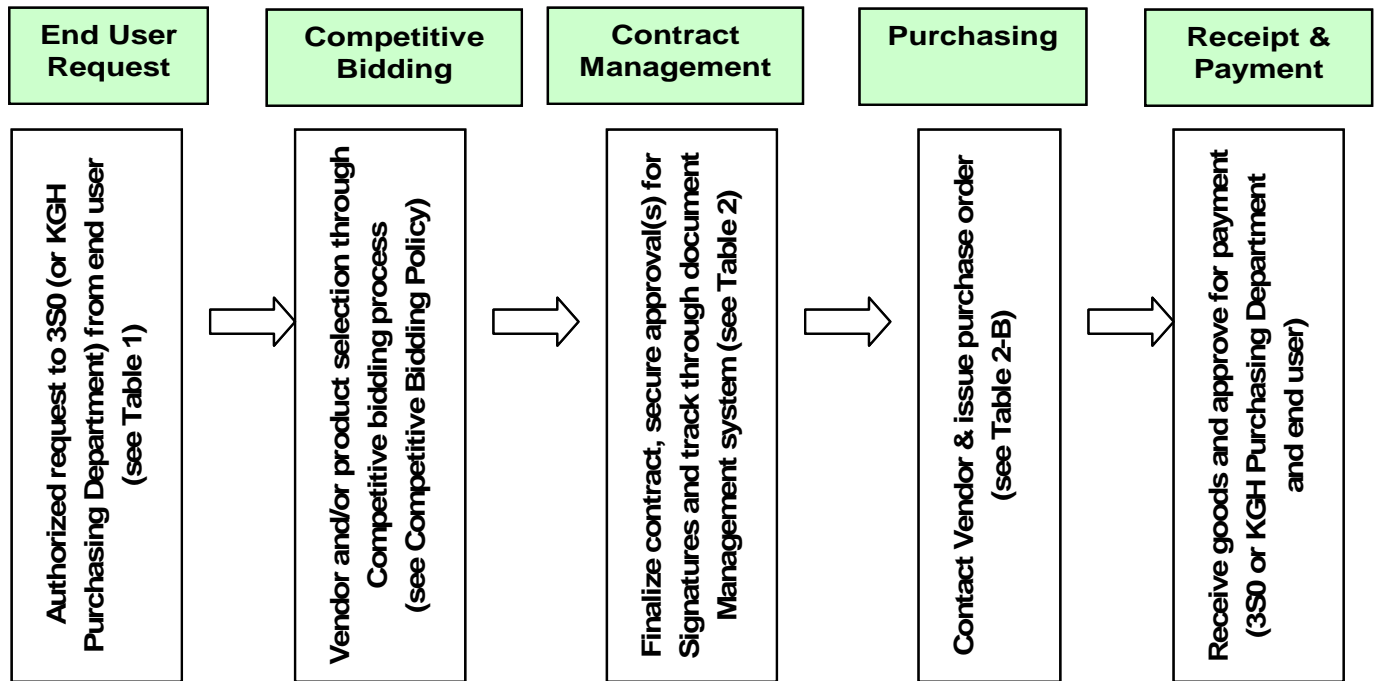
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The following is a high-level process overview:



A formal written contract is required when:

- a. Negotiated terms and conditions with a supplier need to be monitored for price, quality, performance and compliance to hospital policies or legislated requirements (i.e. insurance and privacy);
- b. Goods or services are being acquired over a period of time, generally more than one year;
- c. Multiple purchase orders or invoices will be processed for the contracted goods or services;
- d. There is a need to ensure continuity of supply and availability from the supplier;
- e. Work being contracted involves disclosing confidential information to the supplier; and
- f. A letter of intent has been issued.

Contracts are awarded in consultation with end users and decisions are made based on: product/service quality, patient/staff safety and best overall value.

3S0 and KGH Purchasing will promote product standardization and Group Purchasing initiatives wherever possible in order to secure better pricing for KGH.

Initiating or Requesting a Contract or Purchase Order

1. Submit an authorized written request (requisition) to initiate the procurement and contract process.

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Requisition approval to initiate contracts, leases, or a purchases for the day-to-day operations of KGH that are specifically included in the approved budget may be authorized by the following signing authorities as listed in Table I:

Table I

Requisition Approval (Note requisitions are requests for expenditure)	
Total Amount	Signing Authority
Up to \$100,000	Approved signing authority for the cost centre (except for Restricted Funds, which in addition require a second signature as noted in point 6 below). ¹
\$100,001 to \$500,000	Approved signing authority for the cost centre and one of: VP Medical or VP Clinical Admn. or COO or CEO
\$500,001 \$1 million	Approved signing authority for the cost centre and one of: CFO or COO or CEO
Over \$1 million	Two Approved Signing Officers of the Corporation, one of which must be a Director of the Board who is not an employee of the corporation or as provided for in the Bylaws of the Corporation.

2. Communicate with a 3SO (or KGH Purchasing for the areas in their jurisdiction outlined above) representative to determine requirements, specifications, evaluation criteria, supplier options and time lines;
3. Solicit supplier proposals in accordance with the Competitive Bidding Policy (3SO draft pending);
4. Negotiate contract in consultation with end users and other departments as appropriate. For example, equipment service contracts should be discussed with Biomedical Engineering, Plant Services, or Information Management, depending on the equipment in question. Such consultation shall be evidenced prior to processing by 3SO or KGH Purchasing.
5. Where a Signing Authority is in conflict or could be perceived to be in conflict approval must be obtained by one reporting level higher (in the case of a Board member, the approval must come from the Board Chair or Board).
6. All Contracts or Agreements related to (or containing):

¹ Authorized Cost Centre Signing Authorities must be documented on a signature card, with a specimen signature, in the possession of 3SO and KGH Purchasing/Accounts Payable. 3SO and KGH Purchasing are accountable for ensuring they only process requisitions with valid signatures.

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- a. Information Technology, software or hardware, must be endorsed by the KGH CIO (or designate).
- b. Maintenance requisitions must be endorsed by the KGH Director of Physical Plant (or designate)
- c. Capital Equipment requires endorsement of the KGH Chief Financial Officer
- d. Patient Care Electrical Equipment requires endorsement by the KGH Director Biomedical Engineering
- e. Any equipment, which requires special installation or removal services, must be endorsed by the KGH Director of Planning.
- f. Employment or impacting the employment of KGH staff must be endorsed by the Chief Human Resource Officer or his/her delegate.
- g. All research contracts must be endorsed by VP Health Sciences Research

Endorsement is indicated by a signature on the requisition (approval.) Each of the positions identified above in their absence will have a designate and that individual can provide endorsement to sustain the process.

7. Restricted Funds – Funds that are advanced to, or given to, the hospital with special restrictions as determined by negotiation between the hospital and the provider of funds, require Terms of Reference and are managed under the oversight of the KGH Chief Financial Officer (or Director of Finance). These funds require two signatures for all expenditures, an approved signing authority for the cost centre will be assigned by the most responsible Vice President (example – for Research Restricted Funds, the VP Health Sciences Research will assign the cost centre authority), the second signature will be the most responsible VP or the COO, or the CEO. Expenditures from these funds must be in accordance with hospital policies and the Terms of Reference (TOR) for the fund.

The Offices of Health Sciences Research (for Research related funds) and Finance for all others will review all requisitions/expenditure requests for compliance with the TOR before approval. These Funds are not allowed to go into negative balances.

Executing the Contract

The ability to actually execute an order or contract is limited a very few individuals, this is important part of the internal control systems of KGH and 3SO and must be adhered to by all. To move from an **authorized requisition** to an **executed order or contract** one must secure appropriate administrative approval and signatures in accordance with the Corporate Signing Authorities and Banking Resolutions as listed in **Table II (Table II A is for 3SO and Table II B is for KGH)**. Note that if the transaction is not contemplated in the approved budget of the hospital or exceeds the signing authority of the available corporate signing officers, Board authorization is required before the contract or order can be processed.

If the requisition has been completed with the appropriate approvals as noted in the prior section of this policy, the process is fairly straight forward to execute the order or contract. If not, the follow

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approvals can not be obtained and the process will be delayed until the requisition has been authorized by the appropriate people.

Table II-A

Signing and Authority for execution of Contracts & Purchase Orders for goods and services through 3SO				
Total Amount	3SO Director of Strategic Sourcing or Director of Finance	3SO Director of Strategic Sourcing or Director of Finance <u>and</u> the General Manager	3SO - Board Chair or Board Vice Chair, or Treasurer <u>and</u> General Manager(1)	Any two of 3SO Board Chair, Vice-Chair or Treasurer (1)
Up to \$100,000	X			
\$100,001 to \$1 Million		X		
Over \$1 Million to \$2.5 Million			X	
Over \$2,500,000				X

(1) with sign off by 3SO Director of Strategic Sourcing and Procurement and General Manager

Table II-B

Signing and Authority for execution of Contracts & Purchase Orders for goods and services through KGH Purchasing Department				
Total Amount	Director or Supervisor of Purchasing or CFO	Any two of: Director of Purchasing, Supervisor of Purchasing, or CFO	Any one of: Director of Purchasing, Supervisor of Purchasing, or CFO <u>and</u> one of: COO or CEO	Any two Corporate Signing Authorities of KGH (1)
Up to \$100,000	X			
\$100,001 to \$500,000		X		
\$500,001 to \$1 Million			X	
Over \$1 Million				X

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(1) Two designated authorities required, and one must be a non-staff Board member.

1. In the case of financial leases, the approval of the CFO or designate is also required.
2. Contracts for goods and services will be reviewed by Legal Counsel and/or our insurance provider only as directed by the General Manager 3SO or Director Strategic Sourcing & Procurement 3SO and/or KGH Risk Management as approved by the Chief Financial Officer (or her designate). 3SO and KGH Purchasing will forward contract where there is a potential risk of financial, corporate or patient liability exposure, or where confidential information is being disclosed to the supplier to KGH Risk Management or Privacy Office. These offices will coordinate with the appropriate hospital departments.
3. Signing officers may request the most responsible end user leader to co-sign the contract to support its execution; however this signature does not constitute a signature of execution and does not replace a required signing officer.
4. Inquiries regarding the interpretation, practices, and procedures to be followed in administrative matters related to the policy should be directed to the General Manager 3SO, the Director of Strategic Sourcing & Procurement 3SO, the Director of Finance 3SO, Director of Purchasing KGH, or the Chief Financial Officer of KGH.

Managing the Contract

1. Copies of signed contracts for goods and services will be retained by 3SO or KGH Purchasing for their respective areas of responsibility for a minimum seven (7) years past the date of completion.
2. Summaries of signed contracts that amount to \$1,000,000 or more over the life of the contract will be forwarded to Chief Financial Officer and the President's Office for their information and for potential disclosure in KGH's financial statements. Copies of all lease agreements, regardless of size, will also be forwarded to Finance.
3. Information contained within contracts is confidential and not to be shared with others. Electronic copies of goods and services contracts will be provided to appropriate end users as requested.
4. 3SO and KGH Purchasing will be responsible to monitor suppliers' compliance with respect to financial terms such as product pricing, rebate tracking and payment discounts. Departments for which the contract was written are responsible for monitoring all other aspects of the supplier performance. Any issues with respect to product quality, poor service or supplier representation must be reported to 3SO (or KGH Purchasing for its areas of responsibility) for resolution as soon as possible.

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5. 3SO (or KGH Purchasing for its areas of responsibility) will maintain a database of contracts and certificates of insurance, tracking expiration dates and automatic renewal options.
6. End user departments will be notified at least 90 days in advance of the expiration date to determine whether the contract should be renewed, renegotiated, tendered or cancelled.
7. All changes, modifications, addenda or amendments to contracts must be requested in writing to 3SO (or KGH Purchasing for its areas of responsibility). Changes will be discussed with the requesting Department, ensure the appropriate authorization is in place, and take appropriate steps to effect the change. If changes are deemed significant, a new contract may be required with corresponding approvals and signatures.

DEFINITIONS:

Requisition - a paper or electronic document that requests the purchase of goods/services and is initiated by the using department. It normally includes: product description, recommended vendor, catalogue number, quantity and any other information that would allow 3SO (or KGH Purchasing for its areas of responsibility) to properly sourcing the required goods/services. The requisition must be approved in advance of sending to 3SO (or KGH Purchasing for its areas of responsibility) in accordance with the signing authorities of the requesting department.

Contract - a legally binding document that sets forth the terms of the purchase, establishes the rights and obligations of the parties involved, specifies the actions to be taken in order to fulfill the purchase transaction(s), and establishes the time frames and payment terms.

Lease - a financial contract between a purchaser and a supplier for the acquisition of goods such as equipment over a stated period with a predetermined interest rate and payment terms. Other terms and conditions such as ownership, maintenance of the equipment and other legal obligations of both parties are stated in a lease.

Purchase Order - a contract to purchase goods or services from a single supplier and outlines the terms and conditions of which the purchase will be made, such as: item identification, quantities, negotiated price, freight terms, delivery date, billing instructions and delivery location.

Purchase/Pricing Agreement - a contract with a supplier that outlines the terms and conditions for which the purchaser will acquire the goods and services if and when required. A pricing/purchase agreement is not a commitment to purchase any set quantity of goods or services. Purchase orders will be issued to acquire the goods or services when required based on the negotiated terms and conditions of the pricing agreement.

Corporate Supplier Agreement - a contract with a supplier that outlines the terms and conditions for which the purchaser will acquire the goods and services if and when required and typically encompasses more than one pricing agreement. A Corporate Supplier Agreement is not a commitment to purchase

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any set quantity of goods or services, however identifies annual purchase targets that generally define rebate and other value add payments. Purchase orders will be issued to acquire the goods or services when required based on the negotiated terms and conditions.

Service Agreement - a contract with a supplier to provide services such as maintenance on equipment, in exchange for an agreed upon price. A service agreement specifies similar terms and conditions as a supply agreement, however also includes scope of work, frequency of servicing, warranty, hours of coverage etc.

Employment Contract - an agreement entered into between an employer and an employee at the commencement of the period of employment and stating the exact nature of their business relationship, specifically what compensation the employee will receive in exchange for specific work performed.

Consulting Agreement - a contract between the hospital with one or more individuals (supplier) with negotiated scope of work, time lines, payment and deliverables.

Supplier/Vendor - any person or company that supplies goods and services to the Hospitals and 3S0 (or KGH purchasing Department). Generally, all transactions between a supplier/vendor and the hospitals will be supported by a contract and/or purchase order.

Memorandum (Letter) of Understanding - a legal document outlining the terms and details of an agreement between parties, including each parties requirements and responsibilities.

Letter of Intent - from one organization to another acknowledging a willingness and ability to do business. A Letter of intent is not a contract and cannot be enforced; it is just a document stating serious intent to carry out certain business activities and contract negotiations.

Confidential Information - may include, but is not limited to:

- Identifiable personal health information;
- Identifiable information about staff or affiliates. Note – a staff/affiliate’s business contact information is not confidential;
- Information regarding the organization’s business, which is not publicly disclosed by the organization that individuals may come across during the performance of their roles at the organization that is not generally known by the public. Examples:
 - o legal matters that involve the organization that are not public knowledge,
 - o financial information that would not be available in the organization’s Annual Report,
 - o information that is protected by written confidentiality restrictions in contracts with external organizations and individuals,
 - o information related to intellectual property held by the organization, for example, information directly included in patents or other intellectual property applications, prior to publication of those patents or applications in public format,
 - o information related to the organization’s information technology security and access to systems, including: information leading to improper access to the organization’s computing resources, both internal and external to the hospital network (e.g. "guest" access to systems,

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remote access credentials), information pertaining to negotiated product discounts with partner vendors that is considered confidential and proprietary to the vendor, hardware and software vendor names for products which may be vulnerable to external access attacks, or products that are part of our security infrastructure.

References

- KGH Signing Authorities and Banking Resolutions

Authorizing Signature

Leslee Thompson
President and Chief Executive Officer