

# KINGSTON GENERAL HOSPITAL

## ADMINISTRATIVE POLICY MANUAL

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

Reviewed by: Vice President & Chief Financial Officer, Planning & Performance,,  
Director of Volunteer Services and Corporate Accessibility, 3SO

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### **Purpose**

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

### **Policy**

3SO is the primary contracting agent for procurement of goods and services on behalf of KGH in accordance with the Signing Authorization and Banking Resolution. 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 KGH Planning Office
- b. Employment contracts managed by People Services and Organizational Effectiveness (PSOE);
- c. Corporate agreements managed by Patient Safety, Quality and Risk Management or by the office of the Executive Vice President & Chief Operating Officer (COO) (e.g. funding agreements with the Ministry of Health and Long-term Care, affiliation agreements, (e.g. Queens University, St. Lawrence College,)), data sharing agreements, banking and credit facilities). Physician and student agreements managed by Medical Affairs and PSOE;
- d. Research agreements managed the Kingston General Hospital Research Institute (KGHRI) ;

Group Purchasing Organizations (GPO) will be utilized where appropriate (e.g. HealthPro,)), as will government-mandated purchasing arrangements (i.e. for certain pharmaceuticals, equipment etc.) and will promote product standardization and group purchasing initiatives wherever possible in order to secure cost effective pricing

3SO, as well as the KGH/KGHRI departments listed above are responsible for maintaining a database of all approved contracts and ensuring compliance with the terms and conditions of these contracts.

KGH Purchasing Department and other areas responsible for contracts (as noted above) will only process requisitions aligned to appropriately authorized contracts or other pricing arrangements as agreed to between an authorized purchasing representative on behalf of KGH and the supplier of the goods or services. Compliance with the KGH Signing Authorization and Banking Resolution is mandatory.

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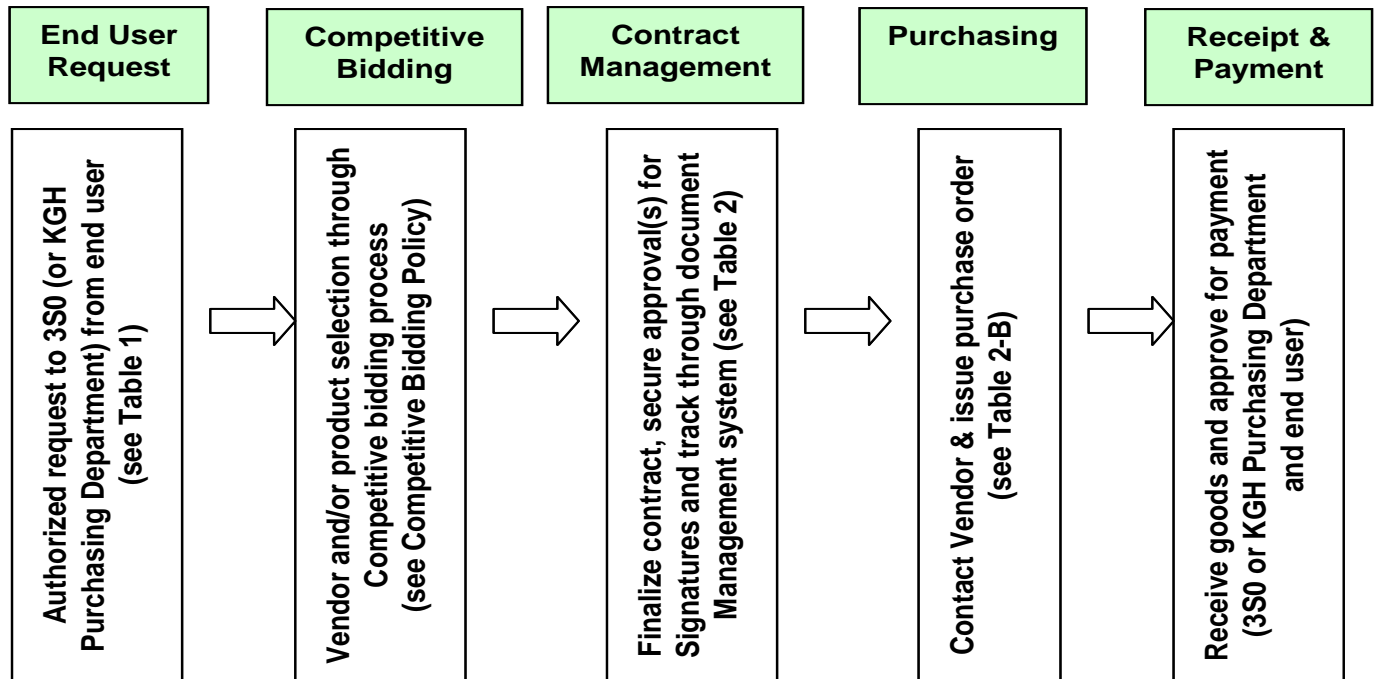
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Following is a high-level process overview:



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 established evaluation criteria including product/service quality, patient/staff safety and overall value.

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### Initiating Purchase Requests

1. Submit an authorized written request (Purchase Requisition) to initiate the procurement process to the KGH Purchasing Department.

Requisition approval to initiate purchase requests for non-capital expenditures included in the approved operating budget may be authorized by the following signing authorities as listed in Table I below.

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).

**Table I**

<b>Requisition Approval (Note requisitions are requests for expenditure)</b>	
<b>Total Amount</b>	<b>Signing Authority</b>
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). <sup>1</sup>
\$100,001 to \$500,000	Approved signing authority for the cost centre and responsible VP or EVP.
\$500,001 \$1 million	Approved signing authority for the cost centre, VP 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 KGH Purchasing to clarify requirements, specifications, supplier options and time line.

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<sup>1</sup> 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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3. Should the purchase requested require a competitive bidding process, KGH Purchasing will confirm and direct the request to the appropriate Procurement Specialist at 3SO who will undertake the management of the required procurement process.
4. If the purchase does not require a competitive bidding process the procurement process will be undertaken by KGH Purchasing.
5. Purchases for capital equipment follow the same processes but require additional authorization on the Purchase Requisition. In addition to the signature of the VP responsible for the cost centre requesting the purchase, purchases having an element of required plant or clinical engineering maintenance, special installation or removal services, information technology support, or any purchase for an item which could impact staff safety require the additional authorization of the director (or designate) or those departments (i.e. Clinical Engineering, Information Technology, Plant Maintenance, Occupational Health and Safety) and the Chair, Capital Budget Committee.
6. 3SO and KGH Purchasing will be responsible to monitor suppliers' compliance with respect to compliance with Accessibility legislation. When procuring or acquiring goods, services or facilities, the purchaser/requestor who completes the purchasing requisition documents is responsible for inquiring about the accessibility features of the products, goods, services or facilities. Considerations should be made to ensure that the item(s) being purchased do not pose a barrier for persons with disabilities. If the purchaser/requestor determines that it is not practicable to incorporate accessibility criteria and features into the purchase, the purchaser shall keep a written explanation with the requisition, in accordance with Section 5 of the Integrated Accessibility Standards Regulation 191/11.
7. If the requisition has been completed with the appropriate approvals the process is fairly straight forward to execute the purchase order by KGH Purchasing to the supplier. . If not the process will be delayed until the requisition has been authorized by the appropriate people.

### Contract Execution

The ability to execute a contract and legally commit the organization is limited to only a very few individuals. This is an important part of the internal control systems of KGH and 3SO and must be adhered to by all. Table I includes these authority levels (Table I A is for 3SO and Table I B is for KGH).

If the purchase contemplated is not in the approved budget of the hospital or exceeds the signing authority of the corporate signing officers, KGH Board authorization is required before the contract can be processed.

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**Table II-A**

<b>Signing and Authority for execution of Contracts through 3SO</b>				
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**

<b>Signing and Authority for execution of Contracts through KGH</b>				
Total Amount			COO and/or CEO (or designate)	Any two Corporate Signing Authorities of KGH (1)
Under \$1 Million			X	
Over \$1 Million				X

(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 COO or designate is also required.

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2. Contracts for goods and services will be reviewed by legal counsel and/or insurance provider only as directed by the General Manager 3SO or Director Strategic Sourcing & Procurement 3SO and/or KGH Patient Safety, Quality and Risk Management as approved by the Vice President & Chief Financial Officer (or designate). 3SO will forward contracts 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 Patient Safety, Quality and 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 Vice President & Chief Financial Officer of KGH.

### Managing Contracts

1. Copies of signed contracts for goods and services will be retained by 3SO or KGH departments 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 Vice President & Chief Financial Officer for information and for potential disclosure in KGH's financial statements. Copies of all lease agreements, regardless of size, will also be forwarded to KGH Financial Services.
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.
5. 3SO (or applicable KGH departments for their 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.

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7. All changes, modifications, addenda or amendments to contracts must be requested in writing to 3SO (or KGH department for their 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 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.

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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 3SO (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, remote access credentials), information pertaining to negotiated product discounts with partner vendors that is considered confidential and proprietary to the vendor, hardware and



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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
- Accessibility for Ontarians with Disabilities Act, 2005, Ontario Regulation 191/11, Integrated Accessibility Standards **AccessON** Incorporate accessibility when procuring goods, services and facilities
- A Guide to the Integrated Accessibility Standards Regulations July 2012  
[http://www.mcass.gov.on.ca/documents/en/mcass/accessibility/iasr\\_guidelines/complete\\_guidelines.pdf](http://www.mcass.gov.on.ca/documents/en/mcass/accessibility/iasr_guidelines/complete_guidelines.pdf)
- **AccessON** Accessibility for Ontarians with Disabilities Act Making your purchases more accessible  
[http://www.mcass.gov.on.ca/documents/en/mcass/accessibility/iasr\\_guides/purchase\\_en.pdf](http://www.mcass.gov.on.ca/documents/en/mcass/accessibility/iasr_guides/purchase_en.pdf)

Authorizing Signature

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Leslee J. Thompson  
President and Chief Executive Officer