



**POLICY:** PURCHASING POLICY & TENDER GUIDE

**ISSUED:** FEBRUARY 2011

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## **1.1 OBJECTIVES**

To deliver a best practice approach and procedures to purchasing for the Fort Erie Economic Development & Tourism Corporation (FE: EDTC).

## **1.2 THE NEED FOR A PURCHASING POLICY**

The FE: EDTC is committed to setting up efficient, effective, economical and sustainable procedures in all purchasing activities. This policy:

- Covers the procurement of;
  - (a) Goods or services subject to a contract including consultants
  - (b) Asset purchases
  - (c) General operating services/expenditure items including consumable items, materials etc.
- Provides the FE: EDTC with a more effective way of purchasing goods and services.
- Ensures that purchasing transactions are carried out in a fair and equitable manner.

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- Strengthens integrity and confidence in the purchasing system.
  - Ensures that the FE: EDTC receives value for money in its purchasing.
  - Ensures the FE: EDTC is compliant with all regulatory obligations.
  - Promotes effective governance and definition of roles and responsibilities.
  - Uphold respect from the public and industry for the FE: EDTC purchasing practices that withstands probity.

### **1.3 ETHICS & INTEGRITY**

All officers and employees of the FE: EDTC shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the FE: EDTC.

The following principles, standards and behaviors must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:

- full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money;
- all purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the FE: EDTC policies and code of conduct;
- purchasing is to be undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently;
- all processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements;
- any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and

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- any information provided to the FE: EDTC by a supplier shall be treated as commercial-in-confidence and should not be released unless authorized by the supplier or relevant legislation.

#### **1.4 VALUE FOR MONEY**

Value for money is an overarching principle governing purchasing that allows the best possible outcome to be achieved for the FE: EDTC. It is important to note the compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing, and service benchmarks.

An assessment of the best value for money outcome for any purchasing should consider:

- all relevant whole-of-life costs and benefits whole of life cycle costs (for goods) and whole of contract life costs (for services) including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance, disposal and financing costs;
- the technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality, including timelines;
- financial viability and capacity to supply without risk of default. (Competency of the prospective suppliers in terms of managerial and technical capabilities, compliance history and financial track record); and
- a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.

Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

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## 1.5 PURCHASING THRESHOLDS

Where the value of procurement (excluding HST) for the value of the contract over the full contract period (including options to extend) is, or is expected to be:

Amount of Purchase	Policy
Up to \$999	At least one verbal quotation and preferable three verbal quotations
\$1000 - \$4,999	Three verbal quotations, except where item is an asset, and then, three written quotations
\$5,000 - \$99,999	Obtain at least three written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations).

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchase under the \$100,000 threshold (excluding HST). If a decision is made to seek public tenders for Contracts of less than \$100,000, a Request for Tender process that entails all procedures for tendering outlined in this policy must be followed in full.

### 1.5.1 Up to \$999

The procurement process for purchases of value up to \$999 should involve at least one verbal quotation, and, preferably, three such quotations.

### 1.5.2 \$1,000 to \$4,999

The procurement process for purchases within this range should involve three verbal quotations for purchases, where capitalization of the item is required, the purchase should be supported by three written quotations.

Where the value of procurement of goods and services, direct purchase from a single source can be made after first

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obtaining three verbal competing bids. However it is recommended to use professional discretion and occasionally undertake market testing with more formal forms of quotation to ensure best value is maintained.

This purchasing method is suitable where the purchase is relatively small and low risk.

Record keeping requirements must be maintained in accordance with record keeping policies.

The general policies for obtaining *verbal quotations* are:

- Ensure that the requirement is clearly understood by the FE: EDTC employee seeking the verbal quotations;
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote;
- Read back the details to the Supplier contact person to confirm their accuracy;
- The responsible officer shall demonstrate due diligence when seeking quotes and shall comply with the FE: EDTC record keeping policies; and,
- All documents used in the quotation process are to be saved in the FE: EDTC financial management system.

### **1.5.3 \$5,000 to \$99,999**

This category is for the procurement of goods and services where the value of such procurement ranges between \$5,000 and \$99,999.

At least three written quotations are required. Where this is not practical, e.g. due to limited suppliers, it must be noted through records relating to the process.

The general principles relating to obtaining *written quotations* are:

- The request for a written quotation should include as a minimum:

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(a) an appropriately detailed specification that communicates requirement(s) in a clear, concise and logical manner;

(b) selection criteria to be applied;

(c) pricing proforma;

(d) conditions of responding; and

(e) validity period of offer.

- Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond;
- Offer to all prospective suppliers at the same time any new information that is likely to change the specifications;
- Quotation submissions that are received shall be assessed for compliance and evaluated against the selection criteria;
- The responsible officer shall demonstrate due diligence when seeking quotes and shall comply with any record keeping and audit requirements;
- Respondents should be advised in writing as soon as possible after the final determination is made and approved;
- Record keeping must be maintained in accordance with the FE: EDTC record keeping policies; and
- All documents relating to the quotation process must be saved in the FE: EDTC's financial management system and hard copies attached to the file copy of the purchase order.

For this procurement range, the selection should not be based on price alone, and it is strongly recommended to consider some of the qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements,

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organization's capability, previous relevant experience and any other related factors as part of the assessment of the quote.

The FE: EDTC employees may use a "third party expert" to assist in the selection processes.

The purchasing process is not required for the following types of expenditure:

- (a) Utilities such as water, electricity, gas and telephone;
- (b) Requirements to meet statutory legislations such as title searches, debt recovery, credit checks;
- (c) Insurances;
- (d) Expenditure where payment is required before the goods or services are received, e.g. conferences, training courses, subscriptions;
- (e) Fees and payments due under any Act of Parliament, for example Fringe Benefits Tax and HST; and
- (f) Goods purchased from petty cash, petty cash vouchers are to be completed.

#### **1.5.4 Waiver of Quotation**

Where quotes are not practical, e.g. due to limited suppliers, the FE: EDTC Board may waive the requirements to obtain quotes providing that written, justifiable reasons for such waiver are provided and file noted accordingly.

Written notes supporting quotation details are to be attached to the purchase order for audit purposes.

#### **1.5.5 Engagement of Consultants**

For the engagement of consultants, a quotation or a public tender will be required depending on the value of the consideration. However, in respect to the "*engagement of consultants*", that the Brief/Specification must be approved

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by the FE: EDTC Board prior to calling quotations or inviting public tenders.

## **1.6 REGULATORY COMPLIANCE**

### **1.6.1 Tender Exemption**

The application of exemption strategies for procurements which fall within the range for potential tender activity should be in accordance with current local government legislation.

### **1.6.2 Sole Source of Supply (Monopoly Suppliers)**

The procurement of goods and/or services available from only one private sector source of supply, (i.e. manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one source of supply. Every endeavour to find alternative sources must be made. Written confirmation of this must be kept on file for later audit.

**Note:** The application of provision “*sole source of supply*” should only occur in limited cases and procurement experience indicates that generally more than one supplier is able to provide requirements.

### **1.6.3 Anti-Avoidance**

The FE: EDTC shall not enter two or more contracts of similar nature for the purpose of splitting the value of the contracts to take the value of consideration below the level of \$100,000, thereby avoiding the need to publicly tender.

### **1.6.4 Tender Criteria**

The FE: EDTC shall, before tenders are publicly invited, determine in writing the criteria for deciding which tender should be accepted.

For Requests with a total estimated (Excluding HST) price of:



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- \$100,000 and above must be approved by the FE: EDTC Board.

### **1.6.5 Expressions of Interest**

The FE: EDTC may seek expressions of interest prior to the advertising tender.

### **1.6.6 Advertising Tenders**

Tenders are to be advertised in a local publication e.g. "The Niagara Falls Review" newspaper, preferably on a Wednesday or Saturday.

The tender must remain open for at least 14 days after the date the tender is advertised. Care must be taken to ensure that 14 **full** days are provided as a minimum.

The notice must include;

- a brief description of the goods and services required;
- information as to where and how tenders may be submitted;
- the date and time after which tenders cannot be submitted;
- particulars identifying a person from whom more detailed information as to tendering may be obtained;
- detailed information shall include;
  - such information as the local government decided should be disclosed to those interested in submitted a tender;
  - detailed specification of the goods and services required;
  - the criteria for deciding which tender should be accepted;

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- whether or not the local government has decided to submit a tender; and
  - whether or not tenders can be submitted by facsimile or other electronic means, and if so, how tenders may so be submitted.

### **1.6.7 Issuing Tender Documentation**

The details for the issue of tender documentation are to be clearly promulgated in the advertisements for the tender.

### **1.6.8 Tender Deadline**

A tender that is not received in full in the required format by the advertised Tender Deadline and at the nominated place specified in the invitation for tenders shall be rejected,

### **1.6.9 Opening of Tenders**

No tenders are to be removed from the tender box, or opened (read or evaluated) prior to the Tender Deadline.

Tenders are to be opened in the presence of the FE: EDTC Executive Committee's delegated nominee and preferably at least one other Board Member. The details of all tenders received and opened shall be recorded in the Tenders Register.

Tenders are to be opened in accordance with the advertised time and place. There is no obligation to disclose or record tendered prices at the tender opening.

The Tender's Offer form, Price Schedule and other appropriate pages from each tender shall be date stamped and initialled by at least two FE: EDTC Board Members present at the opening of the tenders.

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### **1.6.10 No Tenders Received**

Where the FE: EDTC has invited tenders, however no compliant submissions have been received, direct purchases can be arranged on the basis of the following:

- a sufficient number of quotations are obtained;
- the process follows the guidelines for seeking quotations between \$5,000 & \$99,999 (listed above);
- the specification for goods and/or services remains unchanged;
- purchasing is arranged within six months of the closing date of the lapsed tender.

### **1.6.11 Tender Evaluation**

Tenders that have not been rejected shall be assessed by the FE:EDTC by means of a written evaluation against the pre-determined criteria. The tender evaluation panel shall assess each tender that has not been rejected to determine which tender is most advantageous.

### **1.6.12 Addendum to Tender**

If, after the tender has been publicly advertised, any changes, variations or adjustments to the tender document and/or the conditions of tender are required, the FE:EDTC may vary the initial information by taking reasonable steps to give each person who has sought copies of the tender documents notice of the variation.

### **1.6.13 Minor Variation**

If after the tender has been publicly advertised and a successful tenderer has been chosen but before the FE:EDTC and tenderer have entered into a Contract, a minor variation may be made by the Board, to the initial requirement.

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A minor variation will not alter the nature of the goods and/or services procured, nor will it materially alter the specification or structure provided for by the initial tenderer, but may alter the costs of the goods and/or services.

#### **1.6.14 Notification of Outcome**

Each tenderer shall be notified of the FE: EDTC's Board decision on tender following any particular tender, after this decision is made.

The details and total value of consideration for the winning offer must also be entered into the Tenders Register at the conclusion of the tender process.

#### **1.6.15 Records Management**

All records associated with the tender process or a direct purchase process must be recorded and retained. For a tender process this includes:

- Tender documentation
- Internal documentation
- Evaluation documentation
- Enquiry and response documentation
- Notification and award documentation

For a direct purchasing process this includes:

- Quotation documentation
- Internal documentation
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of Canada Revenue Agency policies.

