

## TITLE

**BASIC PROCUREMENT PROCESS AND COMPETITIVE BID THRESHOLDS**SCOPE

Provincial

## DOCUMENT #

1152-02

## APPROVAL LEVEL

Alberta Health Services Executive Leadership Team

## SPONSOR

Contacting, Procurement &amp; Supply Management

## INITIAL EFFECTIVE DATE

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## CATEGORY

Corporate Accountability

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May 2, 2016

## PARENT DOCUMENT TYPE &amp; TITLE

Corporate Contracting Policy

**NOTE:** The first appearance of terms in bold in the body of this document (except titles) are defined terms – please refer to the Definitions section.

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If you have any questions or comments regarding the information in this procedure, please contact the Policy & Forms Department at [policy@albertahealthservices.ca](mailto:policy@albertahealthservices.ca). The Policy & Forms website is the official source of current approved policies, procedures, directives, and practice support documents.

**This procedure is to be used in conjunction with the *Corporate Contracting Policy*.**

**OBJECTIVES**

- To ensure that goods and services are acquired by Alberta Health Services (AHS) in a manner that:
  - results in a safe and clinically acceptable product or service for the delivery of patient care;
  - uses public funds in a prudent manner which ensures optimal cost, quality, and service; and
  - ensures the procurement process is fair and equitable in the context of transparency and efficiency.
- To stipulate:
  - certain procedural matters relating to the procurement of goods or services; and
  - which procurement processes are appropriate in consideration of the value, urgency, and other factors related to the procurement.

## APPLICABILITY

Compliance with this procedure is required by all Alberta Health Services employees, members of the medical and midwifery staffs, Students, Volunteers, and other persons acting on behalf of Alberta Health Services (including contracted service providers as necessary).

This procedure only applies to **corporate contracts**.

## ELEMENTS

### 1. Scope

- 1.1 This procedure applies to the acquisition of goods and services by AHS by any means, including purchase, rental, lease, conditional sale, or loan regardless of funding source.
- 1.2 As a contextual note for guidance, it is important to recognize and differentiate the procurement (being the process by which AHS acquires products or services) from the resulting form of agreement (being a legally enforceable agreement between AHS and another party, the **contract**). The procurement methodology along with the associated approvals (as contemplated under the *Delegation of Approval Authority Policy*) is a separate matter than the approval of a resulting contract document.

### 2. Use of AHS Procurement System

- 2.1 The procurement of goods or services by AHS must use AHS' procurement systems to issue a purchase order or agreement in response to an approved request unless:
  - a) otherwise provided for in another AHS policy (e.g., *Corporate Contracting Policy, Purchasing Card Program Policy, Travel, Hospitality, and Working Session Expenses Policy*); or
  - b) the contract between AHS and a **vendor** provides for an ordering system (e.g., on-line ordering system, punch-out system, third-party commerce portal) and such ordering system is approved for use by the Chief Program Officer (CPO), Contracting, Procurement, & Supply Management (CPSM). Once approved, AHS may utilize the vendor's ordering system to facilitate the transaction of purchases.

Subject to the above, the purchase of goods or services for AHS shall not occur unless such purchase is made under a purchase order issued by AHS, or is under a contract entered between AHS and the vendor.

- 2.2 Purchases for AHS may not be conducted by non-**AHS representatives** or AHS representatives using their own funds, except in certain specified and limited situations such as, but not limited to:

- a) the procurement of materials by an AHS selected construction manager where those materials are procured by the vendor on its own account and will be turned over to AHS at the completion of the project;
  - b) the procurement of goods or services through a group purchasing organization (GPO) of which AHS is a member and participant, though in most cases the purchase transaction will occur under an AHS issued purchase order; and
  - c) where AHS is permitted to do so, the procurement of goods or services under a government issued standing offer agreement, though in most cases the purchase transaction will occur under an AHS issued purchase order.
- 2.3 CPSM will not issue a purchase order for transactional purposes after an order is placed through other means (e.g., verbally, email, other written forms) except for in situations where an approved process is in place (e.g., consignment purchase process), each such process requires the approval of the CPO, CPSM. In all other cases, payments must be processed using a payment requisition.

### 3. **Loaned, Leased, and Rented Equipment**

#### 3.1 Loaned, Leased, or Rented Equipment as a Procurement:

Where AHS is paying for loaned, leased, or rented equipment, either directly (i.e., through a direct payment) or indirectly (i.e., through an increase in the cost of related consumable supplies or an extension to the term of the agreement to account for the cost of the equipment), the loan, lease, or rental of equipment is considered a procurement and is subject to procurement rules including the thresholds described in Section 7 (see Section 3.3c) below). Where AHS is not paying, either directly or indirectly, for a loan, lease, or rental of equipment, that loan, lease, or rental is not a procurement and is not subject to procurement rules including the thresholds described in Section 7. This provision applies regardless of whether AHS will obtain ownership of the equipment during, or at the end of, the term of the agreement.

#### 3.2 Equipment Leasing/Rental Rates:

Where AHS is leasing or renting equipment directly (i.e., through a direct payment) the agreement between AHS and the vendor should be entered into with the intention of achieving the most favourable lease/rental rates possible. In determining the favourability of rates, consideration should be given to utilizing government contracts (or government contract rates) where reasonable and permissible to do so.

Notwithstanding the above, the lease/rental of equipment should not be tied to the purchase of other goods or services (e.g., consumable supplies) in the same contract or other contracts (e.g., an obligations to purchase a set number of consumables per year) in a manner that transfers the cost of equipment

acquisition to an operating budget (instead of a capital budget) unless there are circumstances that create superior value to AHS (and in determining such value, the **total cost of ownership** must be considered). Where the rental/lease agreement contains an obligation to purchase certain consumables in the manner described above (i.e., results in the cost of acquired equipment being transferred to an operating budget), a written recommendation with supporting analysis and rationale may be requested to be completed by the **program group**, and in all cases the approval of Finance and the appropriate Executive Director or more senior position in CPSM are required.

### 3.3 Equipment Acquisition and Consumable Volume Commitments:

Where:

- a) a procurement contemplates equipment and consumable supplies, in which the resulting agreement or agreements contain a consumable volume or quantity purchase commitment tied to the procurement of equipment; and
- b) as a result of the value of the consumable purchase commitment, equipment is being discounted to rates below what AHS would reasonably expect to pay for such equipment without the related consumable supplies (or provided at no charge);

in such cases:

- c) the procurement shall be valued at the combined value of both equipment and supplies;
- d) where the supplies are of a propriety nature to the equipment (e.g., the equipment will only operate with consumables supplied by the equipment vendor):
  - (i) the equipment itself should be the determining element to the procurement decision with respect to a competitive bid or applicability of a **non-competitive procurement** exemption; and
  - (ii) the resulting agreement should contain a commitment from the vendor for the supply of the relevant consumables for the expected service life of the equipment, and (beyond the initial fixed agreement term) such commitment should be in the form of options exercisable at AHS' sole discretion, and may or may not contain pricing commitments from the vendor.
- e) where possible and practical, the resulting agreement should show the value of the equipment (note that in establishing the methodology for valuation purposes, CPSM may establish guidelines in consultation with AHS' Finance Division from time to time).

#### 3.4 Identification of Value of Equipment:

For the purposes of Section 3.3(e), the value of equipment shall be identified in the agreement reflecting what AHS would reasonably pay for the equipment where reasonably practical to do so.

#### 3.5 Vendor Representation for Loaned Equipment:

The vendor providing loaned equipment must provide a representation to AHS that the equipment complies with applicable requirements, if any, in:

- a) all applicable legislation and regulations including the *Food and Drug Act* (Canada) and *Medical Devices Regulations* (Canada);
- b) Canadian Standards Association (CSA) standards; and
- c) AHS policies and procedures including, but not limited to, any Infection Prevention and Control requirements.

### 4. Emergency Procurement

4.1 The failure to plan and allow sufficient time for a competitive procurement process does not constitute an emergency.

4.2 Emergent procurement that is a permitted exception under the *Agreement on Internal Trade* (AIT), *New West Partnership Trade Agreement* (NWPTA), and the *Trade, Investment, and Labour Mobility Agreement* (TILMA) must comply with Sections 3 and 7 of the *Non-Competitive Procurement Procedure*.

4.3 Whenever possible, the end user shall obtain a purchase order from CPSM or use a P-Card for emergency procurement. The end user may procure a good and/or service without following the regular procurement process only when:

- a) there is an emergent and immediate need for the good and/or service and the good and/or service cannot be obtained in time by means of an open procurement process;
- b) a P-Card is not available or the procurement would exceed the P-Card's procurement threshold;
- c) CPSM cannot be reasonably contacted in time; and
- d) the emergency procurement is reported to CPSM as soon as possible.

### 5. Contracted Goods and Services

5.1 AHS must use a vendor currently under contract with AHS to provide a specific good and/or service whenever possible. In instances where a contracted vendor is not suitable, AHS will use the appropriate procurement approach as noted in this procedure. Therefore:

- a) if the goods/services are currently under contract, then such goods/services will be purchased pursuant to that contract, and no further procurement process is necessary; and
  - b) if the goods/services are not under contract, then a further procurement process is necessary as described in Section 7.
- 5.2 In the event a contract is in place but an end-user wishes to procure a product from a different vendor or conduct a further competitive process to source a good or service, the determination as to which procurement method to use will be made based on clinical justification and/or business case by the end user with such justification reviewed and approved by CPSM.

## 6. Timelines to Process Requests

- 6.1 End users will provide all their requirements and timelines to CPSM as soon as they are aware that a potential procurement may be necessary with the intent of giving CPSM as much notice as possible. CPSM will make reasonable efforts to process procurement requests in a timely manner.
- 6.2 Incomplete requisitions may be returned to the end user for completion and resubmission. Timelines for processing are dependent on the completeness of the submitted documents (in terms of content and approvals), the complexity of the procurement, and the priority of the procurement in consideration of other AHS requirements and commitments.

## 7. Procurement Threshold

Note: These thresholds only apply when a vendor is not already under contract to provide the good and/or service or an exemption is not provided for in another AHS policy as referenced in Section 2.1 of this procedure.

Under no circumstances shall any single procurement be divided into multiple procurements or be reduced in term or scope with the intent or unintended result of altering the approval level or the positions that have the authority to approve the procurement from what would have been required if the procurement had not been split, or to avoid the thresholds for AIT, NWPTA, and TILMA.

- 7.1 The procurement process utilized by AHS will be dependent on:
- a) the value of the procurement;
  - b) the complexity of the procurement; and
  - c) the urgency of the procurement.
- 7.2 Notwithstanding the above, the value of the procurement will dictate the minimum process required. AHS representatives may not separate a single procurement

into smaller components in order to change the applicable threshold. These minimum requirements are as follows:

- a) Goods and services when not under an already established contract (including, for the purposes of this section, all forms of consumables, equipment, services, and maintenance arrangements) except construction (see Section 7.2(b)):

Value/ Commitment	Procurement Request Process by End User*	Number of Quotes Required	Process
Less than \$5,000	<ul style="list-style-type: none"> <li>Purchase requisition with quote if available.</li> <li>With confirmation the required quotes have been obtained.</li> <li>P-Card.</li> </ul>	<ul style="list-style-type: none"> <li>Single verbal quote. Upon review by CPSM, CPSM may require documented rationale to justify the selection from the end-user. At CPSM's discretion additional quotations or a competitive process may be required.</li> </ul>	Multiple Options: <ul style="list-style-type: none"> <li>P-Card (see <i>P-Card</i> policy and <i>P-Card Program User Guide</i> for limitations).</li> <li>Purchase Order (single verbal quote either obtained by user department or Procurement).</li> <li>Purchase order to be issued by CPSM.</li> </ul>
\$5,000-\$24,999	<ul style="list-style-type: none"> <li>Purchase requisition with confirmation the required quotes have been obtained.</li> </ul>	<ul style="list-style-type: none"> <li>Single written quote. Upon review by CPSM, CPSM may require documented rationale to justify the selection from the end-user. At CPSM's discretion additional quotations or a competitive process may be required.</li> <li>All equipment over \$5,000 will require documented rationale to justify the selection from the end-user.</li> </ul>	<ul style="list-style-type: none"> <li>Quote can be obtained by user department or CPSM.</li> <li>Submit procurement requisition and quote to CPSM.</li> <li>Purchase order to be issued by CPSM.</li> </ul>
\$25,000- \$74,999	<ul style="list-style-type: none"> <li>Purchase requisition with confirmation the required quotes have been</li> </ul>	<ul style="list-style-type: none"> <li>Three written quotes. Upon review by CPSM, CPSM may require documented rationale to justify the selection from the end-user. At CPSM's</li> </ul>	<ul style="list-style-type: none"> <li>Quote can be obtained by end user department or CPSM.</li> <li>Submit procurement requisition and quotes to CPSM.</li> </ul>

Value/ Commitment	Procurement Request Process by End User*	Number of Quotes Required	Process
	obtained.	discretion additional quotations or a competitive process may be required. <ul style="list-style-type: none"> <li>All equipment over \$5,000 will require documented rationale to justify the selection from the end-user.</li> </ul>	<ul style="list-style-type: none"> <li>Purchase order to be issued by CPSM.</li> </ul>
\$75,000 or higher	<ul style="list-style-type: none"> <li>Purchase requisition.</li> <li>Contract requisition.</li> </ul>	<ul style="list-style-type: none"> <li>Competitive process in accordance with the <i>Competitive Bid Processes</i> procedure and <i>Non-Competitive Procurement</i> procedure: <ul style="list-style-type: none"> <li>Request for Quotation</li> <li>Request for Proposals</li> <li>Pre-Qualification</li> <li>other</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>CPSM to conduct the process best suited to the procurement in accordance with <i>Competitive Bid Processes</i> procedure, <i>Non-Competitive Procurement</i> procedure, and the <i>Corporate Contracting Policy</i>.</li> </ul>

\*End-users are required to retain quotes and any related documentation. CPSM may require the submission of actual quotes.

b) Construction when not under an already established contract:

Value/ Commitment	Procurement Request Process by End User*	Number of Quotes Required	Process
Less than \$25,000	<ul style="list-style-type: none"> <li>Purchase requisition with confirmation the required quotes have been obtained.</li> </ul>	<ul style="list-style-type: none"> <li>Single quote. Upon review by CPSM, CPSM may require documented rationale to justify the selection from the end-user. At CPSM's discretion additional quotations or a competitive process may be required.</li> </ul>	<ul style="list-style-type: none"> <li>Quote obtained by end user department.</li> <li>Submit procurement requisition and quote to CPSM.</li> <li>Purchase order (form of agreement) to be issued by CPSM.</li> </ul>
\$25,000-\$199,999	<ul style="list-style-type: none"> <li>Purchase requisition with confirmation the required quotes have</li> </ul>	<ul style="list-style-type: none"> <li>Three written quotes. Upon review by CPSM, CPSM may require documented rationale to</li> </ul>	<ul style="list-style-type: none"> <li>Quotes obtained by end user department.</li> <li>Submit procurement requisition and quotes</li> </ul>

	been obtained.	justify the selection from the end-user. At CPSM's discretion additional quotations or a competitive process may be required.	to CPSM <ul style="list-style-type: none"> <li>• Purchase order (form of agreement) to be issued by CPSM</li> </ul>
\$200,000 or higher	<ul style="list-style-type: none"> <li>• Purchase requisition with competitive process.</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive process in accordance with the <i>Competitive Bid Processes</i> procedure and <i>Non-Competitive Procurement</i> procedure: <ul style="list-style-type: none"> <li>○ Request for Quotations</li> <li>○ Request for Proposals</li> <li>○ Pre-Qualification</li> <li>○ Other</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• CPSM to conduct the process best suited to the procurement in accordance with <i>Competitive Bid Processes</i> procedure, <i>Non-Competitive Procurement</i> procedure, and the <i>Corporate Contracting Policy</i>.</li> </ul>

\*Purchase requisition may come in the form of Project Implementation Plan (PIP).

\*End-users are required to retain quotes and any related documentation. CPSM may require the submission of actual quotes.

**8. Renewals and Extensions to Contracts**

8.1 Programs or users should exercise prudent planning to assess and document their requirements at the outset of an initial procurement in order to reduce repeated procurement requests and the unnecessary frequency of approvals.

**Example:**

Where AHS owns an item of equipment which requires a service agreement and the estimated remaining useful life of the item of equipment is five (5) years, the initial procurement request should be for a term of five (5) years. The resulting contract may be structured with a total term of five (5) years, or an initial term of shorter duration with options to renew the contract for up to a five (5) year term length.

By planning in a prudent manner and documenting the anticipated duration of a contract to include possible optional extensions of a term, one can avoid unnecessary additional steps and approvals. Such future renewals, however, are not commitments at the time of contract signing for the original term and are therefore not to be included in the contract valuation for signing purposes of the original contract. They will have already received procurement approval and will not require any further end-user/Program procurement approval as would otherwise be required for an extension to a contract (See Section 4 of *Renewals and Extensions to Contracts Procedure*).

8.2 The *Renewals and Extensions to Contracts Procedure* expands on the procedural elements and provides direction specific to procurement matters and the treatment of renewals or extensions.

## DEFINITIONS

**AHS representative** means AHS employees, members of the medical and midwifery staffs, students, and others who may act on behalf of AHS.

**Contract** means a legally enforceable agreement made between AHS and one or more parties. For the purposes of this policy, a contract shall include such agreements as a memorandum of understanding, letter of intent and early start letter.

**Corporate Contracts** means all contracts, except for:

- (i) Medical Services contracts (contracts with non-employee physicians and/or clinicians for medical services),
- (ii) Human Resource contracts (contracts relating to human resources functions which govern AHS employees, students and volunteers, and which do not pertain to goods, services or equipment),
- (iii) Capital Management contracts (contracts for building construction & renovation projects including planning, design, construction, leasing and real estate),
- (iv) Research contracts (contracts relating to research and innovation, including clinical trials, research-related confidential disclosure, biological material transfers, and data sharing),
- (v) Self-Managed Care contracts are contracts with AHS clients/patients to provide them with funds to pay for their own home care services with a 3<sup>rd</sup> party provider, and
- (vi) Purchase Orders (PO).

**Program group** includes, but is not limited to, a portfolio, department, division, sector, or group within the AHS organizational structure.

**Total cost of ownership** means the cost of a good and/or service taking into account all life-cycle costs associated with the good and/or service such as cost of training, accessory charges, freight, lifetime maintenance costs, administrative costs, contract management costs, implementation costs, conversion costs, and contract conclusion costs.

**Vendor** means an individual or company that supplies, or seeks to provide, goods and/or services to AHS.

## REFERENCES

- Alberta Health Services Governance Documents
  - *Code of Conduct*
  - *Competitive Bid Processes Procedure* (#1152-03)
  - *Collection, Access, Use, and Disclosure of Information Policy* (#1112)
  - *Conflict of Interest Bylaw*
  - *Corporate Contracting Policy* (#1152)
  - *Delegation of Approval Authority Policy* (#1168)
  - *Non-Competitive Procurement Procedure* (#1152-04)
  - *Procurement Card Program Policy* (#1149)
  - *Renewals and Extensions to Contracts Procedure* (#1152-05)

- *Travel, Hospitality, and Working Session Expenses Policy (#1122)*
- Alberta Health Services Resources
  - *P-Card Program User Guide*
- Non-Alberta Health Services Documents
  - *Agreement on Internal Trade*
  - *Food and Drug Act (Canada)*
  - *Medical Devices Regulations (Canada)*
  - *New West Partnership Trade Agreement*
  - *Trade, Investment, and Labour Mobility Agreement*

## VERSION HISTORY

Date	Action Taken
April 4, 2014	Initial Approval/Effective
May 2, 2016	Revision Effective