



## FINANCIAL SERVICES DIRECTIVE

**DATE:** November 28, 2011                      **CATEGORY:** Materials Management

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**SUBJECT:** General Procurement                      **NUMBER:** FNS-II-01-01

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**REVISION DATE:** Sep 17, 2015

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**Service Objective:**

The Board’s objective is to obtain publically funded good and services, including construction, consulting services and Information Technology, through a process that is open, fair, efficient, accountable, competitive and transparent; and by the purchasing principles established in Policy KDSB-FNS-II-01 – Materials Management - Procurement.

**Service Description:**

1. Where the acquisition of goods, services or construction has been approved in the Board’s annual budget, the following procedures shall apply.

Procedure	Total Acquisition Cost
Petty cash	\$500 or less
Purchasing card <b>or</b> Direct purchase process	\$5,000 or less
Informal quotation process	\$25,000 or less
Request for quotation process	\$50,000 or less
Request for tender <b>or</b> Request for proposal	Greater than \$50,000

2. Total acquisition cost means an evaluation of quality and service in the assessment of a bid and the sum of all costs including purchase price, all taxes, warranties, local service costs, life cycle costs, time of completion or delivery, inventory carrying costs, operating and disposal costs for determining the lowest compliant bid.
3. The dollar limits above refer to invoice costs inclusive of taxes for which the Board does not receive a refund.
4. No requisition, purchase or contract shall be divided in order to avoid the requirements of the dollar value limits of this directive.

5. Where goods and services of a similar type are to be supplied on a repetitive basis from one or more suppliers either over a period of time in a calendar year or over the course of a season, those goods and services shall be purchased in accordance with the provisions of this directive based on the estimated cost of the goods and services to be supplied in the whole calendar year and/or during the course of the entire season as the case may be. A standing order will be issued in place of a regular purchase order.
6. The Chief Administrative Officer or Director may conduct a request for expression of interest for the purposes of determining the availability of suppliers of any goods, services or construction and for the purpose of keeping a list of available suppliers.

7. **Purchases \$500 or Less**

A petty cash fund may be established to meet the requirements of a work location for the acquisition of goods and services as set out in Policy KDSB-FNS-I-01 – Banking Protocol - Petty Cash Funds and Directive FNS-I-01 – Petty Cash Funds.

Where the total acquisition cost does not exceed five hundred dollars, purchases shall be made from the competitive market place wherever possible. Quotations may be received either verbally or in writing.

Purchases may be made utilizing cash, cheque, purchase order or purchasing card.

8. **Purchases \$5,000 or Less**

Purchases of goods and services having an estimated total acquisition cost of less than \$5,000 may be made by using a properly documented approval process or purchasing card. A manager's signature on any source document would be considered documented approval. Purchases greater than \$3,500 require written approval prior to initiating the purchase. This could be in the form of a purchase order or an email.

The purchasing card process, set out in Directive FNS-II-02 - Purchasing Card Process, has been established as a method of making small dollar purchases. The process adheres to the purchasing principles outlined in Policy, KDSB-FNS-II-01 – Procurement and should expedite the acquisition of goods and/or services.

Where it is in the interest of the Board to obtain one or two informal quotes by phone or in writing and issue a purchase order for the goods and/or services, that process should be followed.

Notwithstanding the procedure chosen, it shall demonstrate the fair market value was achieved.

9. **Purchases \$25,000 or Less**

Purchases of goods and services having an estimated total acquisition cost greater than \$5,000 and less than \$25,000 shall be obtained using a competitive process.

Written quotes are obtained from suppliers without formal advertising or receipt of sealed bids. At least three (3) written quotes, where practical, shall be obtained from those vendors able to supply the goods or services in a responsible and responsive manner.

The purchase shall be made through the issue of a purchase order. If the purchase is for construction and payment will be made based on 'progress draws', a summary memo will be issued and approved by the CAO and Director of Finance & Asset Management and a copy will be attached to the purchase order.

The requirements for competitive process may be waived under joint authority of the CAO and the Director of Finance & Asset Management. In this case, the competitive process will be replaced by the negotiated method. The circumstances in which the negotiated method would be appropriate and the associated procedures are detailed in Directive FNS-II-04 - Purchase by Negotiation. The reasons for using the negotiated method will be documented and attached to the purchase order.

For construction projects approved in the budget as part of the ten year renewal plan, where the actual quote/tender exceeds the approved budget by less than \$25,000, the CAO shall have the authority to approve the realignment of the Capital Budget in such a way that total capital renewal costs remain unchanged. The Board will be informed of such changes at the next regular Board Meeting. If there is an increase to the overall budget, additional Board approval is required.

10. **Purchases \$50,000 or Less**

Purchases of goods and services having an estimated total acquisition cost greater than \$25,000 and less than \$50,000 shall be obtained using a competitive process.

The purchaser shall prepare a quotation document which provides prospective bidders with clear instructions, specification, terms and conditions. The quotation document shall provide a Quotation Form on which the bidder can make his/her quotation and a Quotation Envelope in which he can submit the form.

The purchaser will forward the Request for Quotation documents to appropriate vendors. The purchaser may supplement this with public advertising of the procurement opportunity if they deem it beneficial.

The Quotation document shall clearly indicate the final time and place for the receipt of quotations. The quotations will be received in the location identified in the Request for Quotations document. There will be no formal opening of the quotations.

All quotations received will be evaluated. At least three quotations should be presented, if possible. The quotation will be awarded consistent with the purchasing principles outlined in Policy KDSB-FNS-II-01 – Procurement.

A summary memo indicating the selected vendor will be prepared. This report will require the approval of the CAO and Director of Finance & Asset Management before the purchase order can be issued.

For construction projects approved in the budget as part of the ten year renewal plan, where the actual quote/tender exceeds the approved budget by more than \$25,000, additional Board approval is required.

The requirements for competitive process may be waived under joint authority of the CAO and the Director of Finance & Asset Management. In this case, the competitive process will be replaced by the negotiated method. The circumstances in which the negotiated method would be appropriate and the associated procedures are detailed in Directive FNS-II-04 - Purchase by Negotiation. The reasons for using the negotiated method will be documented and attached to the purchase order.

11. **Purchases Exceeding \$50,000**

The acquisition of all goods, services or construction having an estimated value greater than \$50,000 shall be obtained using a Request for Tender or Request for Proposal process and may require vendor pre-qualification.

The process for issuing request for tenders and request for proposals will be governed by the procedures detailed in Directives FNS-II-05 – Request for Tenders and FNS-II-06 – Request for Proposals. Should vendor pre-qualification be deemed beneficial, a Request for Pre-qualification shall be issued. The process for issuing this request will be governed by the procedures detailed in Directive FNS-II-08 - Request for Pre-qualification.

The tender/proposal documents will be received, opened, and summarized as outlined in the aforementioned Directives.

The requirements for competitive process may be waived under joint authority of the Program Director and the Director of Finance. In this case, the competitive process will be replaced by the negotiated method. The circumstances in which the negotiated method would be appropriate and the associated procedures are detailed in Directive FNS-II-04 - Purchase by Negotiation.

For construction projects approved in the budget as part of the ten year renewal plan, where the actual quote/tender equals or is less than the approved budget, secondary Board approval is not required. The Board will receive a quarterly update on the capital plan process.

12. **Request for Tender VS Request for Proposal**

A Request for Tender shall be issued for purchases exceeding \$50,000 where all of the following criteria apply:

- (1) two or more sources are considered capable of supplying the requirements,
- (2) the requirements are precisely defined due to the fact that a clear or single solution exists and this permits the evaluation of tenders against clearly stated criteria,

- (3) the market conditions are such that tenders can be submitted on a common pricing basis,
- (4) it is intended to accept the lowest priced compliant bid without negotiations.

A Request for Proposal should be issued where one or more of the criteria for issuing a Request for Tender cannot be met, such as:

- (1) owing to the nature of the requirements, proponents are invited to propose a solution to a problem, requirement or objective for which there is no clear or single solution,
- (2) it is expected that negotiations with one or more bidders may be required with respect to any aspect of the requirement.

The selection of the successful proponent is based on the effectiveness of the proposed solution rather than on price alone.

In general, the Request for Proposals process encourages different solutions from vendors and actively searches for better and more creative ideas for supply of goods and services. It provides a process whereby the negotiation and award is based on demonstrated competence, qualifications and the technical merits of the Proposal at a fair price.

### 13. **Guarantee of Contract Execution and Performance**

The Chief Administrative Officer shall require that a bid be accompanied by a bid bond or bid deposit to guarantee entry into a Contract. A bid bond or bid deposit means a form of security issued by a surety company (licensed to issue surety bonds in Canada) to compensate the Board if the successful bidder does not enter into a contract with the Kenora District Services Board. A bid bond or bid deposit requirements for Request for Tenders and Requests for Proposals shall be 10% of the estimated total acquisition cost.

In addition to the bond/deposit outlined above, prior to the commencement of the work, the successful bidder will be required to provide the following security:

- (1) A performance bond for 100% of the contract price to guarantee the performance of the Contract. A performance bond means a guarantee (in the format of CCDC 221) issued by a surety company licensed to issue surety bonds in Canada executed in connection with the contract and which secures the performance and fulfillment of the undertakings, covenants, terms, conditions and agreements contained in the contract. The performance bond replaces the bid bond on award of the contract, and
- (2) A labour and material bond equal to the value of the performance bond to guarantee the payment for labour and materials to be supplied in connection with the Contract. A labour and material bond means a bond (in the format of CCDC 222) issued by a surety company licensed to issue surety bonds in Canada to insure that the contract will fulfill its obligations to its employees, subcontractors and suppliers and thereby protects the Kenora District Services Board.

Prior to the commencement of work, evidence of insurance coverage satisfactory to the Manager of Capital Projects must be obtained, ensuring indemnification of the Kenora District Services Board from any and all claims, demands, losses, costs or damages resulting from the performance of a Bidder's obligation under the contract and from any other risk determined by the Director of Finance as requiring coverage.

Prior to payment to a supplier, a Certificate of Clearance from the Workplace Safety and Insurance Board shall be obtained ensuring all premiums or levies have been paid to the Workplace Safety and Insurance Board to the date of payment.

Prepared by:



Program Director

September 17, 2015

Date



Chief Administrative Officer

September 17, 2015

Date