

**Report To:** Finance Committee, Board of Health  
**Submitted by:** Elizabeth Bowden, Interim Director of Administration  
**Subject:** INTERNAL REVIEW OF COMPLIANCE WITH PROCUREMENT POLICY  
AND PROCEDURE

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**RECOMMENDATION(S):**

- (a) **That the Finance Committee makes recommendation to the Board of Health to receive this report, for information.**

**BACKGROUND:**

In accordance with the Ontario Public Health Organizational Standards, the Broader Public Sector Procurement Guidelines, and public sector organizational best practices, WDGPH has a Procurement Policy and Procedure in place to set out the internal rules to be followed when purchases are made on behalf of the organization. The Policy and Procedure were revised to align with the Broader Public Sector Procurement Directive, and came into effect in December 2015.

Section 3.1 of the Ontario Public Health Organizational Standards outlines the Board of Health responsibility to be informed on the procurement policies and practices of the organization, and this responsibility is further confirmed by the Board of Health policy: Stewardship of Management Operations CA.45.01.400, and Board of Health procedure: Stewardship of Management Operations – Procurement CA.45.02.410.

Section 6.8 of the Ontario Public Health Organizational Standards lays out several key requirements for procurement policies and procedures, as follows:

- The types of procurement processes that shall be used;
- The goals to be achieved by using each type of procurement process;
- The circumstances under which each type of procurement process shall be used;
- The circumstances under which a tendering process is not required;
- The circumstances under which in-house bids will be encouraged as part of the tendering process;
- How the integrity of each procurement process will be maintained;
- How the interests of the board, the public and persons participating in the procurement process will be protected; and
- How and when the procurement processes will be reviewed to evaluate their effectiveness.

To this end, this report is provided to outline an internal review of compliance with the organization's Procurement Policy and Procedure, which was undertaken by the Manager of Finance and the Procurement and Projects Analyst. This review is on transactions between January 1, 2016 and September 30, 2016, confirming transactions under review were completed after the new policy came into effect.

This internal review serves two purposes:

1. Compliance with the WDGPH Procurement Policy Supply Chain Code of Ethics, which requires:
  - a. Transparency with regard to purchasing activities of the organization; and
  - b. Continuous improvement of the supply chain policies and procedures by identification of potential areas of the policy and procedure requiring improvement of additional training.
2. Provide the Board of Health with an evaluation of the effectiveness of the organization's procurement processes, in compliance with the Ontario Public Health Organizational Standards and the Board of Health Stewardship of Management Operations policy and procedures.

WDGPH's Procurement Procedure sets out the processes that must be undertaken for purchases based on the total procurement value, as follows:

#### *Goods and Non-Consulting Services*

- \$0 - \$500 - Procurement Card with No Purchase Requisition;
- \$501 - \$10,000 - Informal - One Written Quote;
- \$10,001 - \$50,000 - Informal - Three Written Quotes OR Formal Invitational Competitive Process OR Formal Open Competitive Process; and
- \$50,001 and more - Formal Open Competitive Process.

#### *Consulting Services*

- \$0 - \$50,000 - Informal – Three Written Quotes OR Formal Invitational Competitive Process OR Formal Competitive Process

\$50,001 and more - Formal Open Competitive Process

The total procurement value must not be reduced (i.e. dividing a single procurement into multiple procurements) in order to circumvent the approval or procurement processes.

Wherever possible, a competitive process will be used for purchases over \$10,000. Any deviation from a competitive process, identified by the Procurement Processes in the above table, must be supported by a duly approved **Single Source/Sole Source Certificate**.<sup>2</sup>

## **PUBLIC HEALTH AND/OR FINANCIAL IMPLICATIONS:**

### **Review Work**

#### ***Approach***

Two types of samples were selected:

- The top ten largest transactions recorded during the period; and
- A random sample of five other transactions during the period.

The rationale behind this approach was to test whether the largest (most material) transactions are in compliance with the policy and procedure and to also check that the policy and procedure are being applied consistently, regardless of the size of the transaction.

#### ***Sample Size***

The Procurement Policy and Procedure applies to the operating expenses of the organization. Some purchases are exempt from the Procurement Policy and Procedure, and these exemptions are listed at Appendix “1” to the Procedure (found at *Appendix “1”* to this report). If an exempt transaction is selected in the sample, it was noted as such on the review sheet.

The total operating expenditures for the organization for January 1<sup>st</sup> to September 30<sup>th</sup> were \$4,490,475.

The review I considered a minimum of 5% of the net operating expenses under review.

\$4,490,475     Net operating expenses under review for January 1 to September 30, 2016

x 5%

\$224,524     Minimum total sample size

#### ***Sample Selection***

- 1) All Accounts Payable (AP) and Purchase Order (PO) transactions for the period January 1<sup>st</sup> through September 30, 2016 were exported from Sage 300 ERP (accounting software) to Excel.
- 2) Transactions less than \$100 were eliminated, with the rationale that many of them are the recording of the non-recoverable portion of the HST, and/or, are immaterial, to make the total population of transactions from which to select a sample more relevant.
- 3) The population was then sorted by transaction size, from largest to smallest, and the ten largest transactions were selected for the sample.
- 4) Microsoft Excel’s random number generator was then used to assign a random number between 0 and 1 to each GL account code.
- 5) The random numbers generated were sorted from largest to smallest, which effectively sorted the remaining transactions in a random order.
- 6) The first five randomly sorted transactions were selected for the sample.

- 7) A total of 15 transactions were selected, for a total sample size of \$501,033.85, well in excess of the minimum sample size identified above.

### ***Review***

The selected sample was sent to the Procurement & Projects Analyst to trace the transactions back through the procurement process, and to document the following information:

- Whether the Policy & Procedure is applicable to the transaction or exempt.
- The type of procurement process that was followed.
- If the Policy & Procedure is applicable to the transaction, and it exceeded the threshold for a competitive procurement process but did not undergo one, is there a Single Source/Sole Source Certificate on file?
- Whether or not the transaction is compliant with the WDGPH Procurement Policy & Procedure.

### ***Results***

- Four of the transactions in the sample were exempt from the Policy.
- Four of the transactions in the sample had undergone a competitive procurement process.
- Twelve of the fifteen transactions reviewed (80%) were fully compliant with the Procurement Policy and Procedure.
- The three transactions that were not fully compliant were as follows:
  - 1) Payment to AxSys Technologies for annual maintenance fees for the organization's electronic medical record software, Excelicare. This transaction was paid from invoice, was not processed on a Purchase Order, and no Single Source/Sole Source Certificate was on file.

#### Recommendations:

- a) That ongoing software maintenance contracts be processed on a purchase order. They would clearly be exempt from a competitive process and the AIT states an applicable sole source rationale that is shown on the Single Source/ Sole Source certificate. Processing through the PO system reduces the risk of the maintenance contracts not being reviewed properly for cost control and whether the terms of the agreement continue to be appropriate for the organization's needs; Additionally, the procurement department would gain knowledge of the activity of a key supplier.
  - b) That a Single Source/Sole Source Certificate be completed and filed with procurement, and that a process be implemented to ensure that Single Source/Sole Source Certificates are consistently completed and filed when applicable.
- 2) Payment to AxSys Technologies for software modifications for the sexual health module of the system. This transaction was paid from invoice, was not processed on

a Purchase Order, and no Single Source/Sole Source Certificate was on file.

**Recommendations:**

- a) That a process be implemented to ensure that all purchases greater than \$500 that are not exempt from the Procurement Policy and Procedure are processed on a Purchase Order.
- b) Same as 1) b) above.
- 3) Payment to Fisher Scientific Company for the purchase of two vaccine refrigerators. No single source/sole source certificate on file. Sole source is applicable based on having consistency of fridge models and one point of supplier contact for warranty and ongoing support. Seven fridges have been purchased from Fisher prior to this purchase over the period August 2014 to October 2015.

Recommendations: same as 1) b) above.

***Conclusion***

The issues identified, while not trivial, relate to incomplete documentation on file rather than improper procurement processes being undertaken.

The Manager of Finance will work with the Procurement and Projects Analyst to identify appropriate internal processes for ensuring that all Single Source/Sole Source transactions are appropriately documented.

This review and report will be an annual activity.

**APPENDICES:**

*Appendix “1”* – List of Exemptions from the WDGPH Procurement Policy and Procedure.

**REFERENCES:**

- <sup>1</sup> Wellington-Dufferin-Guelph Public Health. (2015). Procurement Policy CA.51.01.112. Guelph, Ontario.
- <sup>2</sup> Wellington-Dufferin-Guelph Public Health. (2015). Procurement Procedure CA.51.02.112. Guelph, Ontario.

*Original Signed Document on File*

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## APPENDIX “1”

### GOODS AND SERVICES EXEMPT FROM PROCUREMENT PROCESS<sup>2</sup>

This procurement processes described in this Procedure do not apply to the following goods and services:

1. Training and Education
  - a. Conferences, conventions, workshops, courses and seminars
  - b. Magazines, subscriptions, books and periodicals.
  - c. Memberships
  
2. Refundable Staff Expenses
  - a. Advances
  - b. Meal allowances
  - c. Travel (km travelled and hotel accommodation)
  
3. WDGPH General Expenses
  - a. Payroll remittances
  - b. Employee benefit remittances.
  - c. Workplace Safety and Insurance Board remittances.
  - d. Petty cash replenishments.
  - e. Tax remittances
  - f. Purchase of investments
  - g. Real Estate Fees and commissions
  - h. Charges to or from other government agencies
  - i. Damage claims.
  - j. Rent or lease payments
  
4. Utilities
  - a. Water
  - b. Sewer
  - c. Natural Gas
  - d. Electricity
  - e. Postage
  - f. Telecommunications
  
5. Advertising Services
  - a. Radio
  - b. Television
  - c. Newspaper
  - d. Magazines
  
6. Professional Services
  - a. Banking Services
  - b. Insurance Services
  - c. Legal Fees
  - d. Accounting Fees