

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	1 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

1 POLICY

1.01 Purchases made on behalf of the Institute must be made by Purchase Order. While such purchases may be initiated by any operating department, they may only be made by the Institute's Purchaser or Designate.

1.02 Certain purchases or expenditures are excluded from this policy. Purchases or expenditures excluded are:

- Regular payments such as rent
- Expenditures that have a different approval process such as travel expenses
- Purchases other than for inventory, for less than \$100

2 PURPOSE

2.01 The purpose of this Statement of Policy and Procedure is to provide internal controls over the purchasing process.

3 SCOPE

3.01 The Purchase Order policy applies to all employees.

4 RESPONSIBILITY

4.01 Operating managers and Scientists/Researchers are responsible for:

- Reviewing and approving all purchase requisitions originating in their department or, in the case of being grant funded, paid from their approved grant account. When purchasing research equipment, the Scientist/Researcher will follow the process identified in Attachment E – "Purchasing of Research Equipment" flowchart. For equipment used on patients, the Scientist/Researcher must follow normal procedures governed by Thunder Bay Regional Health Sciences Centre.

4.02 The Purchaser or Designate is responsible for:

- Investigating potential suppliers for specific requirements

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	2 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

- Establishing supply contracts
- Issuing and controlling purchase orders

5 DEFINITIONS

- 5.01 “**Competitive Bidding Process**” means the formal process by which potential suppliers are invited to quote on future supply contracts.
- 5.02 “**Purchase Requisition**” means a manual or electronic (e-requisition) form requesting that the Purchaser or Designate purchase supplies of a specified nature on behalf of the requisitioning department.
- 5.03 “**Supplementary Purchase Order**” means a purchase order which relates to or modifies a previously-issued purchase order.
- 5.04 “**Purchaser or Designate**” means the person, persons or department responsible for the purchasing functions of the Institute.
- 5.05 “**Thunder Bay Regional Health Sciences Centre (Centre)**” is the organization contracted through a purchase services agreement to receive goods on behalf of the Institute and, in most cases, is the owner of the goods purchased and received on behalf of the Institute.

6 REFERENCES and RELATED STATEMENTS of POLICY and PROCEDURE

- SPP FN 2.01 — Expense Authorization
 SPP FN 2.08 — Purchase Contracts and Tender/Bids
 SPP FN 2.09 — Receipt of Purchased Goods and Services

7 PROCEDURES

7.01 Purchase Requisition

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	3 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

- (a) Purchases large enough to require a Purchase Order and purchases being made under a supplier contract are initiated via a Purchase Requisition completed by the Department with the requirement (see SPP FN 2.01 — Expense Authorization).
- (b) The Purchase Requisition should contain:
 - (i) The purchase requisition number
 - (ii) The date the requisition is completed
 - (iii) The name and contact information for the originating employee
 - (iv) The contract number or reference for the contract under which the purchase is being made (if applicable)
 - (v) The supplier name from whom the purchase is being made under contract or the suggested supplier name desired by the requisitioning department
 - (vi) The requested date of delivery
 - (vii) Computer number for items ordered repeatedly
 - (viii) The name and location where the goods are to be shipped
 - (ix) The quantity of goods requested
 - (x) A detailed description of goods requested. Where the supplier has already been identified, the supplier's parts/product numbers if available
 - (xi) Unit prices of the goods requested (if known)
 - (xii) An estimate of the total cost of the purchase
 - (xiii) Any other information about the requirement or about the supplier that may be useful or needed by the Purchaser or Designate
 - (xiv) Authorization for the purchase (see SPP FN 2.01 — Expense Authorization)
- (c) Purchase requisitions must be produced in duplicate
 - (i) One copy for the originating department
 - (ii) One copy for the Purchaser or Designate

7.02 Purchaser or Designate Accountability

- (a) The Purchaser or Designate is responsible for:
 - Establishing supplier contracts (if applicable)
 - Managing the competitive bidding process (if applicable)

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	4 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

- Selecting suppliers
- Maintaining supplier records
- Managing the Purchase Order system
- Ensuring all purchases are appropriately authorized

(see also SPP FN 2.07 — Supplier Records and Management; SPP FN 2.08 — Purchase Contracts and Tender/Bids)

7.03 Dollar Limitations

- (a) Supplies and services are defined as items which are consumed or used on a daily operation and individually cost under \$1,000. The department manager/director or an approved delegate is authorized to sign non-stock requisition for supplies and services within the limits of his/her signing authority and within the approved budget, under \$1,000.
- (b) For the purchase of items under \$1,000, prices can be obtained by the Purchasing department verbally and finalized if proper signature accompanies the supply voucher.
- (c) For individual supplies and services exceeding \$1,000 the responsibility must be forwarded to the Purchaser or Designate who will negotiate a price or contract for the itemized request through a formal request.
- (d) All services above \$1,000 if not pre-budgeted for must be approved by the department's senior manager or research scientist.
- (e) If a request exceeds \$1,000 and has a life expectancy of greater than 1 year then refer to SPP FN 6.01 Fixed Asset Acquisition and Records.
- (f) All contracts and pricing agreements will be kept with the Purchaser or Designate.

7.04 Purchase Order

- (a) The purchase order is the buyer's offer to purchase the goods and/or services described. The buyer's placement of this order with the seller is

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	5 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

expressly conditional upon seller's acceptance of all the terms and conditions of the purchase contained.

- (b) Any additional, or different terms or conditions which may appear in any communications from seller are hereby expressly objective to an shall not be effective or binding unless specifically agreed to in writing by the Purchaser or Designate.
- (c) Any objection by seller to the terms and conditions hereof shall be ineffective unless the Purchaser or Designate is advised in writing, written ten (10) days of the date of order.

7.05 Purchase Order Process

- (a) Upon receipt of a purchase requisition, the Purchaser or Designate checks the requirement against existing supplier contracts. If a contract exists, a Purchase Order is produced against the applicable supplier contract.
- (b) If no supplier contract exists and a supplier is suggested by the requisitioning department, then the Purchaser or Designate shall investigate the supplier, establish the supplier on Supplier Records for future use, and produce a Purchase Order. The Purchaser or Designate will determine whether the supplier suggested by the requisitioning department is appropriate and that there is no conflict of interest in securing the supplier in question and that the most reasonable cost for the product or service is obtained.
- (c) If no supplier contract exists and no supplier is suggested by the requisitioning department, then the Purchaser or Designate shall, at their discretion, follow the procedures as set out in 7.05 (d) below or select a supplier, establish the supplier on Supplier Records for future use (if necessary), and produce a Purchase Order. The Purchaser or Designate will determine whether the supplier is appropriate and that there is no conflict of interest in securing the supplier in question and that the most reasonable cost for the product or service is obtained.
- (d) Whenever possible or for all contracts greater than \$100,000 or two years in duration, a competitive bidding process consisting of detailed Requests For Quotation (RFP), comprehensive assessment of quotes and final selection authorization will be undertaken. A competitive bidding process

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	6 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

shall be undertaken by the Purchaser or Designate who must adhere to the procedures set out in section 7.06 of this policy and the policies and procedures set out in SPP FN 2.08-Purchase Contracts and Tender/Bids. Upon successful completion of the bidding process the supplier shall be established on Supplier Records for future use and a Purchase Order shall be produced.

- (e) Purchase Orders are valuable documents because they represent a commitment on behalf of the Institute. Purchase Orders must be maintained in a secure location. Every Purchase Order number must be controlled and tracked throughout its use; when a purchase order has been fulfilled, the number must be retired.
- (f) Purchase Orders shall contain:
 - (i) Date of the order
 - (ii) Requisition number
 - (iii) Purchase Order number (numbered sequentially)
 - (iv) Supplier name and address
 - (v) Supplier contract number if applicable
 - (vi) Information about where the materials are to be shipped
 - (vii) Purchase Department Contact Information
 - (viii) Contact information at the "Ship to" location
 - (ix) Date goods are required
 - (x) Information about where supplier invoices should be sent
 - (xi) Shipping and payment details, e.g. FOB, import duty accountability, COD, etc.
 - (xii) Supplier reference numbers for goods being ordered, if applicable, e.g. part numbers, product codes
 - (xiii) Purchasing Department signature activating the order (authorized buyer or purchasing agent)
 - (xiv) Grant number and name of Grant or Research sponsor
 - (xv) Functional centre code and relevant secondary code
(ie. 2-A-7-9-X-XX-XX-XX / XXXXXX)
- (g) Purchase Orders must be accessible (by copy or electronic access) by:
 - (i) The supplier organization. They should have two copies, one of which should be returned to the Institute with the shipped goods
 - (ii) The originating organization

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	7 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

(iii) Record retained in Purchasing

- (h) All invoices, shipping notices, packing slips affecting the purchase order shall contain the applicable order number. Packing slips shall be enclosed in each box or package shipped pursuant to this order, indicating the contents therein. Invoices will be processed for payment when all items invoiced are received.
- (i) Purchase order numbers must be cross-referenced to Supplier Records for future reference.
- (j) Purchases are authorized by the department originating the request according to the Institute's authorization policy. Purchase orders are authorized by a purchasing agent or buying officer of the Institute. The authorized buyer must ensure that authorization for the purchase has been secured before placing an order.
- (k) Unmatched open purchase orders shall be followed up by the Purchaser or Designate.
- (l) All goods are to be shipped freight prepaid, F.O.B. destination, unless otherwise stated.
- (m) Time is of the essence, and the purchase order may be cancelled if delivery is not made or services are not performed by the date specified and agreed to.
- (n) Buyer will remit payment to the seller by mail, within thirty (30) days of receipt of invoices providing that all the goods are in working condition, the service has been delivered and that all goods invoiced have been received.
- (o) If a price is not stated on the purchase order, it will be deemed that the good or service shall be billed at the price last quoted or paid by the customer of the seller, or the prevailing market price, whichever is lower.

7.06 Competitive Bidding Process (refer also to SPP FN 2.08–Purchase Contracts and Tender/Bids)

- (a) Competitive bidding is employed to ensure responsive, reasonable and firm proposals. Generally three or more qualified bids will be requested. Exceptions are made only in unique situations where such bidding process would result in no apparent benefit to the Institute or in unique situations

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	8 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

where specialized goods or services are monopolized by the vendor.

- (b) This procedure outlines the process of securing verbal or written quotations prior to the selection of a source.
- a. Requests for quotation will not be solicited from prospective suppliers unless it is intended that an order may be placed with the vendor if that vendor is qualified and submits a valued bid.
 - i. To the extent possible, investigations or informal surveys will be made prior to solicitations of quotations to determine if prospective suppliers have the required financial and human resources and satisfactory performance experience.
 - ii. Quotations are solicited only after a decision is made to procure items or, in special cases, when solicitation of quotations is authorized prior to decision if such action best serves the interest of the Institute.
 - iii. The solicitation of quotations in connection with new business ventures/projects or in any other circumstances where a firm requirement does not exist, the Purchaser or Designate shall make clear to prospective suppliers the intent of the request.
 - b. Supplier quotations must be in response to a request from the Purchaser or Designate; unsolicited bids will not be considered.
 - c. Where a supplier is given the opportunity to re-bid, all competing suppliers must also be given an equitable opportunity to re-bid. Those conditions in which it is the Institute's best interest to allow re-bidding include, but are not limited to, changes in requirements, changes in technology or time lapsed.
 - d. It is imperative that the supplier knows that:
 - i. Pre-contract discussions and agreements are preliminary;
 - ii. Any agreements reached are tentative;
 - iii. The Institute assumes no contract obligation to the supplier until a formal purchase order or letter of agreement is executed, or authorization to proceed is given by the Purchaser.
 - iv. The Institute is not under any obligation to procure the items for which the negotiations are conducted, and any cost

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	9 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

incurred by the supplier prior to the placing of the order is at the supplier's expense unless otherwise agreed to in advance by the Purchaser or Designate and the supplier.

- e. The request for quotation form will be used wherever possible. Utilization of this method will provide vital necessary documentation and efficient communication pertinent to competitive transactions.
- f. The quote number will be cross-referenced to the final purchase order number. All communications or correspondence relative to each project must reference the quotation number.
- g. The Purchaser or Designate's copy of the quote request will be filed with the purchase order.

7.07 Changes to Purchase Orders

- (a) From time to time, either from changing requirements or from limitations on the part of the supplier, the contents of a purchase order must be changed.
- (b) The purchase order may not be changed without the approval of the Purchaser or Designate.
- (c) Changes are marked on the original purchase order, initialed by the Purchaser or Designate and faxed or emailed to the supplier who acknowledges the change.
- (d) A supplementary purchase order is then produced with the proper contents to replace the marked up copy and the original purchase order is amended as "Replaced by PO XXXXX". Explanatory comments may be made at the bottom of the purchase order.
- (e) Copies of the supplementary purchase order are distributed as per the normal purchase order process.

7.08 Special Consideration for Third Party Grant or Research Funding - Capital Equipment Purchase Process

- (a) In addition to the processes as described in SPP FN 6.01 sections 7.01 and 7.02 and SPP FN 2.06 sections 7.04 to 7.07 above, the objective of this section is to outline the capital equipment purchase process in

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	10 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

Research departments for equipment funded by third-party grant or research sponsors.

- (b) When grant funds are awarded for the purchase of specific piece(s) of equipment, any deviation will require prior written approval from the sponsor.
- (c) The cost of acquisition shall be totally expensed in the grant year in which the equipment is purchased.
- (d) All equipment which is greater than \$1,000 shall be capitalized. This provision shall not affect the grant and research specific financial statements. This provision shall affect the Institute-wide financial statements.
- (e) A purchase order must be completed for items financed through grant or research sponsors. Among the required fields to be included as detailed in SPP FN 2.06, Section 7.05, Subsection (f), the purchase order must also include the functional centre (2-A-7-9-X-XX-XX-XX), the secondary code and Grant Number.
- (f) The purchase order and/or invoice must be signed by Research Manager responsible for the grant and submitted to the Purchaser or Designate for processing.
- (g) When the equipment is received, the Purchaser or Designate shall affix a tag number to the equipment and submit the required documentation (including the assigned tag number) to the Finance Department for General Ledger and Grant recording.
- (h) With respect to FOB destination, the decision will be at the discretion of the Purchaser or Designate. Subsequent courier or shipment from the drop off location to any other location shall be made on an item-by-item basis and prior to initial shipment, the Purchaser or Designate must consider the benefits, cost savings and convenience of its chosen FOB Destination to the Institute and its employees.
- (i) Asset tag numbers shall distinguish between assets classified as grant-specific and where ownership resides with the Grant and associated researcher. These tag numbers shall be a five digit sequence beginning with the letter "G". Assets that are funded by grants but ownership resides with the Institute shall be tagged with a five digit tag number beginning with the letter "R".

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	11 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

- (j) The purchase order is the source document for tracking equipment, once it is entered in the system. The report will provide descriptions, date of purchase, location of equipment, etc.
- (k) If equipment is disposed of, sold, transferred, it is the responsibility of the Research Manager to notify the Purchaser or Designate (or the Materials Management department) by completing Form Env-05 - Disposal/Storage/Transfer of Used Equipment and advising in the writing the following information:
 - a. Equipment description; and,
 - b. Reason for disposal, sale or transfer; and,
 - c. Date of the disposal, sale or transfer; and,
 - d. Sale price, if sold, and a copy of the sales receipt from the Cashier;
 - e. Information pertaining to a transfer such as:
 - i. Current Department where asset is located; and,
 - ii. Department where asset will be transferred; and,
 - iii. Department manager's signature who will be accepting the transferred asset and the Transferor's signature authorizing release of the asset from their department; and,
 - f. Regardless of method of disposal, the tag number affixed to the equipment must be communicated.
- (l) With respect to ownership, the sponsor's regulations shall override internal policies on ownership issues. In its absence, the ownership shall remain with Thunder Bay Regional Research Institute. **Research managers or any individual using the equipment may not remove any equipment without the prior written approval from Thunder Bay Regional Research Institute and the CEO.**

7.09 Conflict of Interest – Purchasing Process

- (a) Employees engaged in the purchasing function are expected to be free of interests of relationships which are actually or potentially detrimental to the best interests of the Institute, and shall not engage or participate in any commercial transaction involving the Institute in which they have significant undisclosed financial interest.

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	12 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

- (c) Any employee, researcher, or designate engaged in purchasing who has assumed, or is about to assume, a financial or other outside business relationship that might involve a conflict of interest, must immediately inform the Director of Research Operations of the circumstances involved. This information is to be reviewed at an appropriate level for decision on whether a conflict of interest is present and, if so, what course of action is to be taken. In this respect, a conflict of interest exists where an employee, researcher or designate (ERD):
- a. Has an outside interest that materially encroaches on time or attention, which should be devoted to the affairs of the Institute.
 - b. Has a direct or indirect interest in or relationship with an outside company that is inherently unethical or might be implied or construed to be, or make possible personal gain due to the ERD's ability to influence dealings; render the ERD partial toward the outsider for personal reasons or otherwise inhibit the impartiality of the ERD's business judgment; place the ERD of the organization in an equivocal embarrassing or ethically questionable position; or reflect on the integrity of the Institute.
 - c. Takes personal advantage of an opportunity that properly belongs to the Institute.
 - d. Uses Institute property without approval.
 - e. Discloses confidential Institute information or any other proprietary information to unauthorized persons.

8 ATTACHMENTS

- Attachment A — Purchase Requisition (sample)
- Attachment B — Request for Proposal
- Attachment C — Request for Quote
- Attachment D — Env-05 – Disposal/Storage/Transfer of Used Equipment
- Attachment E — “Purchasing of Research Equipment” flowchart

STATEMENT of POLICY and PROCEDURE

Manual:	Finance and Accounting	SPP No.	FN 2.06
Section:	Purchasing Cycle	Issued:	Feb 11, 2009
Subject:	PURCHASE ORDERS	Effective:	Feb 11, 2009
Issue to:	All Manual Holders	Page:	13 of 13
		Replaces:	
Issued by:	Chief Financial Officer	Approved:	Feb 11, 2009

ATTACHMENT A – PURCHASE REQUISITION

Thunder Bay Regional Health Sciences Centre

NONSTOCK REQUEST FOR PURCHASING SERVICES

SELECT ONE: ORDER PRODUCT / PRICE INFORMATION INTER COST CENTRE TRANSFER

RETURN FOR: CREDIT EXCHANGE REPAIR-WARRANTY LOANER DUPLICATE SHIPMENT TRIAL REPAIR

R.G.A. # _____

REASON FOR RETURN _____

SPECIAL SHIPPING INSTRUCTIONS _____

ORIGINAL P.O. OR REQUISITION NO. _____

ITEM NO.	QTY.	PURCH. UNIT	VENDOR PRODUCT NO. / SERIAL NO.	DETAILED DESCRIPTION OF PRODUCT OR SERVICE	PRICE	COST CENTRE NO.
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						

APPROVAL DEPT. MANAGER _____ APPROVAL SENIOR ADMIN (OVER \$1,000) _____

DATE _____ DATE _____

FOR PURCHASING DEPT. _____ REQUISITION NO. 207326

P.O. No. _____ ORDERED BY _____ PROCESSED BY _____

Purchase Requisition (sample)