Procurement: The Basics

Procurement Services
February 2008
Procurement Services strives to complete procurement activities in a manner that meets and exceeds institutional expectations with regard to price, quality, service and delivery. We will deliver our core services within an environment that is fiscally responsible, accountable, and with due diligence. Ultimately, we look to deliver value added services to our internal and external communities.

The University Policy on the Procurement of Goods and Services reflects all Federal and Provincial laws that govern public sector procurement including competitive bidding practices. Compliance with the Policy is mandatory. The policy applies to expenditures from all funds: operating, research, ancillary, capital and special purpose.
Procurement Definitions

There are many terms that are used in the procurement process that may not be familiar to everyone.

The following are the most common phrases that are used in the department, that appear on our Web site, and that are communicated to the community.
Procurement Definitions

**Procurement**
Acquiring goods and services including functions such as; description of requirements, selection and solicitation of sources, preparation and award of contract, disposal of surplus assets, and all phases of contract management.

**Contract**
Any written or electronic document containing the elements of offer, acceptance, and considerations that legally binds two or more parties.

**Purchasing Requisition**
The document that initiates the process of creating a Purchase Order. The form is available in a one page and two page format. For instructions on how to complete this form, please refer to the online tutorial “[How to fill in a Purchasing Requisition](#)”.  

**Purchase Order**
A Purchase Order is a formal contract between York University and the supplier with terms and conditions and confirmed order and payment process. A Purchase Order is the only formal commitment that York University will honour for payment.
Procurement Definitions

**Competitive Bidding**
A formal process (through quotations/proposals/tenders) involving more than one supplier for the purpose of obtaining goods and services.

**Standing Agreement**
Negotiated agreement between York University and a supplier where there are set terms and conditions over a fixed period of time. These agreements allow York University departments to get the best value for common items, usually low value, that are purchased at high volume by the University as a whole.

**Single Source**
More than one supplier is capable of meeting end user requirements and specifications, however, only one is available to meet specific criteria.

**Sole Source**
Only one supplier is capable of meeting end user requirements and specifications; no other supplier in the market.
Procurement Definitions

**Purchasing Card (PCard)**
The Purchasing Card (PCard) is a convenient and efficient method of acquiring low value goods and services directly from suppliers for University related business only. PCard use reduces reliance on Purchase Orders, creates fewer invoices, and expedites supplier payment.

**Surplus Asset**
Any asset that is no longer of use to the University.

**Customs Clearance**
Procurement Services uses a customs broker when importing/exporting goods to and from York University. This avoids delays in clearing shipments through Canada Customs and Revenue Agency and also ensures proper calculations of duties and taxes that are payable.

**Preferred Suppliers**
Suppliers of goods and services with whom the University has negotiated a contract or agreement with set terms, conditions and/or pricing over a fixed period of time.
When a Preferred Supplier Exists Under $100,000

What is a Preferred Supplier?

Suppliers of goods and services with whom the University has negotiated a contract or agreement with set terms, conditions and/or pricing over a fixed period of time.

Departments must use a Preferred Supplier where one exists.

Procurement has identified preferred suppliers through a competitive bidding process, purchasing cooperative or direct negotiation.

Procurement will notify the Community of new or revised Preferred Suppliers and related important information.

Procurement should be notified of any major or ongoing issues with a Preferred Supplier by the Community.

Steps to follow:

• Check the Procurement Services web site to see if a Preferred Supplier exists.

• Order the goods and services using the order method identified.

• Receive the goods or services using the order method identified.

• Pay for the good or service using the payment method identified.

Procurement Webpage
When a Preferred Supplier Exists Over $100,000

Why competitively bid if there is a Preferred Supplier?

When additional value may be gained by the University a competitive bid will be completed for goods and services provided by a preferred supplier. This will be assessed on a case by case basis.

When a competitive bid is required, Procurement will manage and facilitate the process.

In cases when this is not applicable and the Community may purchase over $100,000 from the preferred supplier, the information will be clearly noted on the Procurement web site under the corresponding commodity.

Steps to follow:

- Check with Procurement Services to see if over $100,000 can be spent with a specific Preferred Supplier.

- If acceptable, order the goods and services using the order method identified. Receive and pay for the good or service using the payment method identified.

- If not acceptable, contact Procurement to discuss a potential competitive bidding process.
When a Preferred Supplier Does Not Exist Under $10,000

Steps to follow:

• Check our website to see if we have a preferred supplier.

• Where a preferred supplier has been selected by the University, goods and services must be ordered from that supplier and paid by the identified payment method on the Procurement web site.

• If a preferred supplier does not exist, goods or services may be purchased from any supplier by using your PCard or by submitting a cheque requisition with the invoice to Accounts Payable.

What are low value goods?

Purchases of goods and services that are required to sustain standard operating requirements of the end user department.

Community determines the need, sources suppliers, and obtains pricing. A Quote Solicitation Template may be used.

Goods and services with a total value under $10,000 should be paid for using the PCard. In rare cases when this is not possible, a cheque requisition is acceptable.

NB – All radioactive materials, of any value, require a Purchase Order (PO).
When a Preferred Supplier Does Not Exist under $50,000

What are mid value goods?

Typically involve straightforward acquisitions of goods or services, but which may also involve specific requirements for delivery, warranties, or specific terms and conditions which require negotiation.

When applicable, the Community may request that Procurement complete a competitive bidding process on their behalf.

In cases where the lowest bidder is not awarded the Community must provide rationale to Procurement, with the Purchasing Requisition, outlining why the decision was made (e.g. Only one that could meet the timeline).

Steps to follow:

• Community uses the Quote Solicitation Template available on the Procurement web site obtain quotes from a minimum of three (3) different suppliers.

• Community evaluates responses and if an award is appropriate, awards to the lowest bidder.

• Community completes a Purchasing Requisition, attaches quotes, and sends to Procurement for issuance of a PO (unless an alternate payment method has been negotiated).
When a Preferred Supplier Does Not Exist over $50,000

What are high value goods?

Purchases over $50K are typically complex acquisitions and may be pan-University.

All competitive bids in excess of $100,000 are advertised on MERX (www.merx.com) and/or Biddingo (www.biddingo.com) for a minimum of 15 calendar days.

Competitive bids under $100,000 will be advertised at Procurement’s discretion to maximize the best value for the University.

Steps to follow:

• Community determines need and provides Procurement with detailed specifications.

• Procurement manages the competitive bidding process and is the only point of contact with the suppliers.

• Procurement determines appropriate competitive bid method, advertises bid and collects submissions from suppliers.

• Community and Procurement evaluate responses and if an award is appropriate, awards to the most responsive bidder.

• Departments order and pay for goods and services as determined from the competitive bidding process.
What are unique or one of a kind acquisitions?

Required in circumstances where only one supplier exists in the market (sole source) or where only one supplier can meet requirements (single source).

In these rare circumstances, a Single/Sole Source Certification is required and must be approved by the Director, Procurement Services in advance of the Department making any commitment to the supplier/service provider.

Steps to follow:

- Community determines the need and sources suppliers and quotes.
- If the supplier found is deemed to be sole or single source supplier the Community completes a Sole/Single Source Certification Form with a rationale, a completed Purchasing Requisition and the quote received.
- Procurement will verify the Certification and if appropriate, the Director will approve. A PO will then be created.
- Certifications not approved will be competitively bid.
Emergency Acquisitions

What is an emergency?

An emergency is defined in the Procurement Procedure as follows:

A circumstance in which an immediate purchase or procurement decision is necessary to prevent a serious delay, which delay reasonably could result in a danger to life, damage to property, or suspension of the provision of an essential service.

If this situation arises, the Community will procure the good or service as appropriate in the interest of time.

Steps to follow:

- Community procures the good or service necessary.
- Once the emergency has been resolved, the Community completes a Sole/Single Source Certification Form with a rationale, a completed Cheque Requisition and the invoice and forwards to Procurement.
Acquisitions Outside of the Procurement Policy

What is an acquisition that falls outside of the Procurement Policy?

The following are not subject to the competitive bidding process:

- Consortium acquisitions
- Payments to Regulatory Agencies
- Staff Professional Development and Training
- Travel and Hospitality
- Professional Services offered by the following: lawyers, architects, professional accountants, engineers, course instructors

Steps to follow:

- Ensure any transaction is free of any conflict of interest – real or perceived
- Ensure due diligence is exercised for any and all purchases regardless of funds used
- Ensure fair market value is achieved and demonstrable
- Ensure any and all transactions meet principles of accountability, transparency and fairness
- Ensure that external consultants hired provide evidence of insurance and WSIB
Buyer Must Do’s for All Acquisitions

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- Ensure any and all transactions meet principles of accountability, transparency and fairness
- Ensure that suppliers and consultants provide evidence of insurance and WSIB
Payment Requirements

Prepayment, or advance payment, is not normally allowed by the University. In circumstances where prepayment is a condition of purchase, approval from the University Comptroller must be obtained prior to making a commitment to any external suppliers/contractors/consultants.

University payment terms are Net 30 (net 30 days from receipt of the supplier’s invoice) and will be paid accordingly unless an alternate payment arrangement has been approved by Procurement Services.
Non-compliance with the Procurement Policy could result in significant risk to the University as outlined below:

- Non-arms length transactions between supplier and buyer - clear violation of fiduciary responsibility for spending of public funds for no private gain.

- Failure to provide accurate and appropriate documentation in support of any acquisition can result in process delays, cancelled contracts, audit concerns, inflated pricing, media scrutiny - all hinder ability to complete research projects on time and within budget.

- No evidence of fair market value – in research grant situations, funding agency could withdraw funding commitment; University and/or faculty member/researcher must reimburse the funds.
What is the PCard?

PCard use is subject to the Purchasing Card Policy and the University Policy on the Procurement of Goods and Services. The PCard is to be used strictly and solely for the procurement of goods and services that are required to conduct York University business.

Transaction limits are restricted to $2,500 per transaction with a maximum $10,000 monthly credit limit. Transaction limits may be altered upon request.

Steps to follow:

- Access Purchasing Card application and complete all applicable areas.
- E-mail Form to Supervisor/Manager for approval.
- Once approved, Supervisor/Manager e-mails form to pcard@yorku.ca for processing.
- Procurement notifies the applicant of training dates once the card has been received from US Bank Canada.
- Cardholder signs Cardholder Agreement Form.
- Any changes to limits, info etc. can be made using Change Request Form.
What is the Surplus Asset Disposal Program?

The disposal of surplus assets is governed by the Surplus Asset Disposal Policy.

The goal of the program is to increase the asset's life cycle by transfer for use within the University.

Surplus items for transfer are available on a "first come first serve basis".

Steps to follow:

- User fills in “Declaration of Surplus” form.
- If in working condition, posted on Web site as “Surplus Available for Transfer”.
- If transfer does not occur, it is disposed of via public auction.
- A trade-in may be considered where the market value is realized on the surplus asset and the new asset to be purchased is priced competitively.
- If not in working condition or obsolete, it is disposed of by Facilities Services.
- If an item has no market value but is of value to a non-profit organization, it will be donated.
GRIP programs include the federal Canada Foundation for Innovation (CFI) program and Canada Research Chairs (CRC) program, and the provincial Ontario Innovation Trust (OIT) program, Ontario Research and Development Challenge Fund (ORDCF) program, and Premier's Research Excellence Awards (PREA).

GRIP’s purchases are subject to the University Policy on Purchasing of Goods and Services.

GRIP programs are subject to the guidelines outlined in this tutorial.*

*Exception: PCard, Researchers not eligible for PCard.
Procurement Services has responsibility for the customs clearance process when importing/exporting goods to and from York University. This avoids delays in clearing shipments of goods through Canada Customs and Revenue Agency and ensures proper calculations of duties and taxes that are payable.

Neither York University nor our customs broker will prepare export or import documentation for customs clearance on behalf of York University students, York Lanes suppliers or the personal imports or exports of staff and faculty.

Entries with York University's name on the documentation that are not ordered for York business are returned to the courier, who will arrange for clearance.
Procurement Services
Suite B, EOB
t> 416.736-5143 (ext. 55143)
f> 416.736-5630 (ext. 55630)
e>purchase@yorku.ca

Procurement Services Staff Contact List
Other Online Tutorials

How to fill in a Purchasing Requisition
How to Request Written Supplier Quotations