

Statement of Policy and Procedure	
Policy No.	# 1
Department Ownership	Finance
Issue/Effective Date	April 1, 2016

St Theresa Point First Nation

Procurement Policy

Policy: Procurement **No. 1**
Issue Date: April 1, 2016



Policy

The procurement of goods, services and assets will be conducted with sufficient due diligence to demonstrate transparency, fairness, quality, and value for money in meeting the First Nation's requirements.

1. Purpose

The purpose of this policy is to provide guidance to the First Nation on how purchases will be planned, managed, approved and paid.

2. Scope

This policy applies to the Council, Executive Director and any other First Nation employees involved in purchasing goods, services and assets on behalf of the First Nation.

3. Definitions

"Assets" include tangible capital assets such as equipment, buildings and land that have been purchased or constructed by the First Nation.

"Best Value" refers to the optimal combinations of experience, knowledge, expertise, geographic location, performance, quality, time, initial costs, operation and maintenance, cost, life cycle costs, service, performance characteristics, spare parts availability, warranties and guarantees etc.

"Fairness" refers to giving qualified firms and individuals an equal opportunity to compete for the contract work; and to evaluating tenders and proposals in accordance with accepted practices.

"Encumbrance accounting" refers to the process of setting money aside (to hold it) for a specific purpose. Money then, is essentially earmarked for certain future purposes and cannot be re-allocated for any other purpose than stated.

"Invited tender" refers to a tender that is distributed to a certain number of contractors who are invited to bid on a specific project. Industry standards indicate that at least three contractors should be invited to ensure that the process is fair and there is sufficient competition.

"Open or public tender" is the process by which tenders are advertised publicly. Open tenders should allow any qualified potential bidders the opportunity to bid on a project.

"Requisition" refers to a purchase order used by the First Nation when documenting expenditures.

"RFP" stands for Request for Proposal, which is the process generally followed before awarding a major service contract. RFPs identify the need and leave it up to the prospective contractors to make a proposal that is appropriate.

"Sole Source" means a person or company from whom the First Nation may purchase goods and/or services.

"Tender process" refers to the process where documents outlining the requirements and

specifications of a project are put in the hands of prospective contractors or suppliers interested in submitting bids.

4. Responsibilities

(1) The Council is responsible for:

(a) Ensuring effective control of procurement of goods, services and assets through documented policies and procedures.

(2) The Executive Director is responsible for:

(a) Ensuring effective control of procurement of goods, services and assets through documented policies and procedures.

(3) The Program Manager and or Program Director is responsible for:

(a) Ensuring the procurement process is fair, open, and demonstrates accountability to obtain the best value for time and money;

(b) Communicating the policies and procedures to all parties who are affected.

(c) Managing and monitoring expenditures and ensuring purchase orders executed are within budgets and the cash is available.

(4) The Finance Director is responsible for:

(a) Developing, documenting and maintaining policies and procedures relating to the procurement process for goods, services, and assets;

(b) Assisting in the selection, evaluation, and monitoring of contractors and suppliers;

(c) Assisting the Program manager or Director in managing and monitoring expenditures and identifying and reporting on budget variances;

(d) Ensuring that procurement/ finance staff receives appropriate guidance and assistance in the performance of their duties.

5. Procedures

Procurement of low value items goods and services

(1) Goods and services under the 'low' value threshold can be procured by the individuals noted in Appendix A for each threshold of value.

(2) The responsible employee noted in Appendix A will ensure that the goods or service selected is the best value for First Nation.

- (3) The responsible employee noted in Appendix A will sign the invoice indicating that the goods or services have been received under the terms in the agreement between the First Nation and the vendor.

Procurement of moderate value goods and services

- (4) The responsible employee noted in Appendix A will perform a documented analysis of the costs and benefits of at least three options to procure the good or service.
- (5) Where practical, informal quotes will be obtained through advertisements, direct solicitations to contractors/suppliers and other methods in an effort to compare prices and select the best option for the First Nation.
- (6) When appropriate, the First Nation will promote the use of local content in the procurement of goods and services in accordance with Appendix C.

Procurement of high value goods and services

- (7) Goods and services classified as high value according to Appendix A will be procured using a competitive tendering process.
- (8) When appropriate, the First Nation will promote the use of local content in the procurement of goods and services in accordance with Appendix C.
- (9) Under a competitive tendering process, the First Nation must use either an invited tender or an open tender to award a contract.
- (10) For each tendering process a RFP will be issued and will include the following components:
 - (a) Date by which proposals are due;
 - (b) Background to the requirement (e.g., context, challenges);
 - (c) Specific requirements of the proposal including any requirements set out in Council policy for the management of capital projects (e.g. course of construction insurance, performance guarantees and bonding);
 - (d) Qualifications of the ideal supplier (e.g. track record, experience, integrated services);
 - (e) Criteria and weighting (if applicable) by which proposals will be assessed;
 - (f) Planned contract award date;
 - (g) Process for entertaining questions regarding the RFP and sharing responses with other potential suppliers;
 - (h) Caveat providing the First Nation with the right to pick any proposal or none;

- (i) A checklist of other special terms and conditions (e.g., maximum price expected, delivery dates or constraints) that would be critical for an organization to build into their response to meet the needs of the First Nation.
- (11) The Executive Director, 5 representatives from Council, and any required staff possessing relevant expertise will form a review panel and review the proposals received against the pre-determined selection criteria for the RFP. The review panel will provide Council with a recommended course of action.
- (12) To maintain consistency in the procurement process, a standard methodology will be used to evaluate each contractor/supplier (Appendix B). The methodology will include, at a minimum, an evaluation of:
- (a) How the contractor/supplier meets the RFP or tender requirements and specifications;
 - (b) The contractor/supplier's qualifications;
 - (c) The price quoted;
 - (d) Results and quality of all work the contractor/supplier has previously done for the First Nation.
- (13) Other requirements will be added to the methodology as deemed necessary by the Executive Director.
- (14) Normally an RFP process as described above will be followed to procure goods and services. Exceptions to this process (i.e. granting a sole source contract, non-competitive contract award) will be rare and limited to the following situations:
- (a) If there were no bids received during the tender call or RFP process;
 - (b) When the good or service is available only through a Sole Source;
 - (c) In an emergency situation where a delay in procuring the good or service would result in severe loss or damage to the First Nation.
- (15) Any exceptions to the procurement process will be documented to demonstrate the rationale and approval of a non-standard procurement process as noted in clause (12).

Approval, initiation and monitoring

- (16) Approval of procurement decisions should be documented on the relevant purchasing document (i.e. requisition, purchase order, or contract, depending on the nature of the procurement activity).
- (17) Once approved, the Finance Director will ensure that an encumbrance accounting system is in place for each procurement activity over \$ 25,000.00 and for each contracted procurement so that money is set aside and used specifically for those goods or services.

- (18) On a monthly basis, the Finance Director will review the status of procurement encumbrances, noting and investigating any over budget commitments. Procurement activities over budget by \$ 25,000.00 will be reported to the Executive Director.
- (19) At each Finance and Audit Committee the Executive Director will report on the status of a capital project including a comparison of expenditures to date with the project budget and a detailed description of any identified legal, financial, technical, scheduling or other problems and the manner in which it has been or will be addressed.

Documentation requirements

- (20) All procurement documents (including but not limited to requisitions, invoices, purchase orders, request for proposals or tender calls) will clearly indicate the details of the goods and services requested.
- (21) Approvals and budget appropriations and accounts from which certain goods or services may or must be purchased will be documented on relevant internal procurement documentation
- (22) A file will be created for each RFP/Tendering process that contains the results of each supplier evaluation.

Monitoring of Contractors/Suppliers

- (23) On an ongoing basis, the Program Manager / Director will monitor the quality of the work and the working relationship with the contractor/supplier. Any issues noted will be documented in the contractor/supplier file and resolved by the Program Manager/Director and reported on monthly to the Executive Director.
- (24) Performance evaluation should be tailored to job size and complexity. A review of both the project quality and the service quality should be conducted using a standard set of criteria and applying weight factors established at the time of award. Any adjustments to the criteria weighting should not be made without the [contractor/supplier's concurrence].

Encouraging new contractors/suppliers

- (25) Contracts will be reviewed on an annual basis (or other timeframe as deemed appropriate by the Senior Manager for the nature and complexity of the goods/services in question) and a request for other contractors/suppliers initiated.

6. References

- (1) FMB's Financial Management System Standards

- (a) Standard 18.6 Procurement
 - (b) Standard 18.7 Procurement of suppliers
 - (c) Standard 23.5 Contract and tendering requirements
- (2) FMB's Financial Administration Law Standards
- (a) Standard 8.3 Policies, Procedures and Directions
 - (b) Standard 16.2.1 Expenditure Controls
 - (c) Standard 21.5 Contracts and tendering provisions

7. Attachments

Appendix A – Purchasing Approval Limits

Appendix B – Contractor/Supplier Evaluation Template

Appendix C – Local Content

Appendix A – Purchasing Approval Limits

Purchase Values <i>(amounts used for illustration only – will vary depending on the First Nation's situation)</i>		Process to be followed:	Who is responsible:
Greater than [\$ 0]	Less than or equal to [\$1,000]	Low Value ²	Program Manager ¹
Greater than [\$1,000]	Less than or equal to [\$5,000]	Low Value ²	Program Manager and Finance Director
Greater than [\$5,000]	Less than or equal to [\$25,000]	Moderate value: Informal Quotation ³	Program Director, Financial Director and Executive Director
Greater than [\$25,000]		High value: Tender Call/Request for Proposal	Council, Program Director, Financial Director and Executive Director

1. Program Manager = Area Manager or equivalent.

2. Low Value = Contractual arrangement for low value procurement process: in this, employees with appropriate authority as set out in this policy may approve a Purchase order and sign an invoice indicating that the goods or services have been received and the contractor/supplier may be paid.

3. Informal Quotation = obtaining informal quotes where practicable through advertisements, direct solicitations to contractors/suppliers and other methods in effort to compare prices.

Appendix B – Sample Contractor/Supplier Evaluation Template

Supplier Evaluation					
Organization name:					
Service / goods to be provided:					
RFP / Tender reference#:					
Value of contract:					
Criteria	Details / Comments			Value	Score
1. RFP or other requirements (list here) 1.1 xxx 1.2 xxx 1.3 xxx	<i>Describe any areas of concern or where requirements were not met....</i>			##	##
2. Qualifications and experience	<i>Do they have the appropriate qualifications and experience to perform the work?</i>			##	##

3.	Terms and conditions	<i>Are their terms and conditions acceptable to the First Nation?</i>	##	##
4.	Has the organization worked previously with the First Nation? Provide details and an evaluation of the work.	<i>Evaluate the First Nation's previous experience with this supplier</i>		
5.	Xxxx			
6.	Xxxx			
7.	Xxxx			
8.	Xxxx			
9.	Xxxx			
10.	Xxxx			
11.	Price	<i>Evaluation of the price, results of previous criteria.</i>		
12.	Other considerations?	<i>Anything not covered above that should be included in evaluation the supplier i.e. inclusion of local content</i>		
Evaluation			Score: ##/##	

Overall comments / recommendation:

%

Attachments:

- Contractor/Supplier response to RFP/Tendering
- Results of any previous contractor/supplier evaluations
- Other supporting information as required

Appendix C – Local Content

The First Nation should promote the use of local content when appropriate in the procurement of goods and services. For construction contracts on reserve lands, the First Nation may include a clause that requires the contractor to employ local labour and resources. Another option is to add a training component to the contract that requires the contractor to train local labourers. Where applicable, the tender package should also require bidders to stipulate the extent to which they will use local materials, local equipment, and provide a formal training program for local labour employed by the contractor.

Pre-tender Considerations for Local Content

Before developing the tender documents, the First Nation should establish:

- The extent of labour and trades available locally
- Quantities and firm prices of locally available materials
- Local equipment available and firm rental rates
- Training requirements and trade apprenticeships

Once the contract has been awarded, special clauses reflecting the agreed upon local content requirements will be incorporated in the contract with the successful vendor.