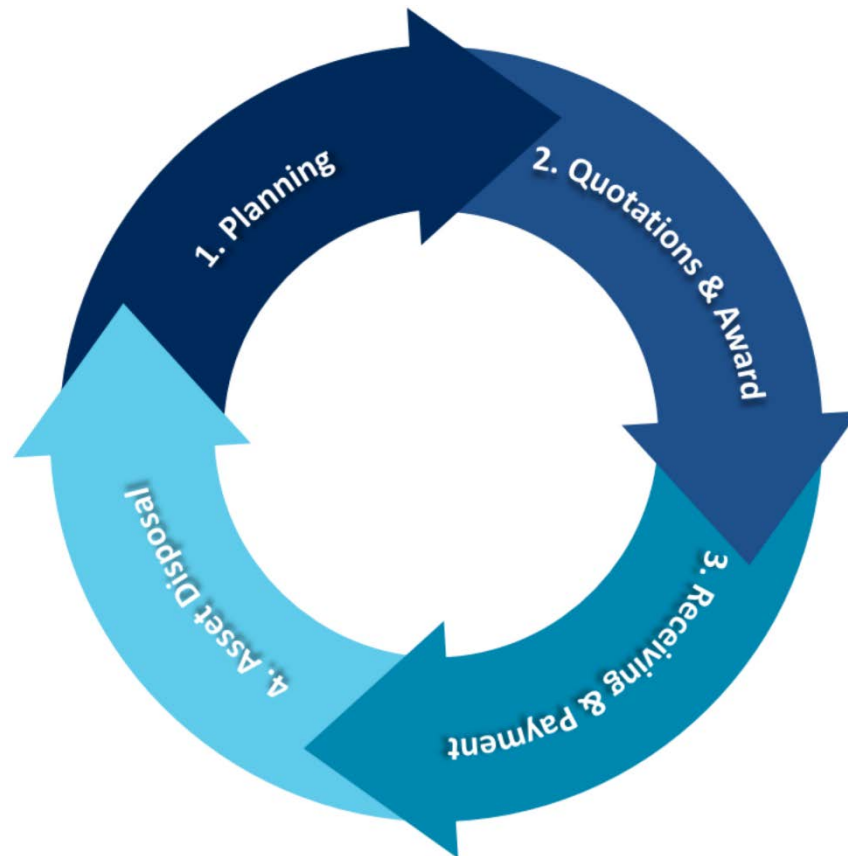# THE PROCUREMENT CYCLE
AT THE UNIVERSITY OF TORONTO

Understanding the decision-making
process for purchases less than $100,000

PROCUREMENT AT U OF T

The University of Toronto's Procurement Policy is governed by legislation and regulations that may be introduced from time to time, and includes the Supply Chain Code of Ethics and the Approval Authority Schedule. Requirements of the Broader Public Sector Procurement Directive, provincial and federal trade agreements, and other applicable laws of Ontario are incorporated by reference and compliance is mandatory.

Related administrative guidelines and regulations in the Guide to Financial Management (GTFM) assist the University community in ensuring:

(a) Goods and services including construction, consulting services and information technology are acquired by the University through a process that is fair, open, transparent, non-discriminatory, geographically neutral and accessible to qualified suppliers, subject only to the permitted exceptions set out in the University Procurement Policy;
(b) The University complies with its obligations under applicable trade agreements and other legislation and regulations; and
(c) Consistency in the administration of procurement processes and purchasing decisions.

As a publicly-funded institution, all procurement activity at the University of Toronto should be conducted in a competitive manner to ensure the best value for public dollars. Receiving maximum value is a fundamental objective when procuring goods and services for University business purposes; value can be measured in terms of quality and process outcomes achieved through supplier competition that results in:

- Quality at optimal pricing
- Reliable service and performance expectations
- Consistent and efficient processes

Faculties and departments at the St. George campus have delegated authority to purchase goods and services that do not exceed $100,000 (UTM and UTSC may have differing thresholds). To assist those involved in procurement activities below this threshold, a high-level overview of the procurement decision-making process is presented in this guide. Each of the 4 phases and associated steps involve decision-making within local units as well as by central Procurement Services. Tools and methodologies have been developed to make this decision-making more transparent, and to ensure processes are compliant with internal and external regulations and legislation.

Procurement Services staff at all three campus locations are available to provide procurement-related advice and answer questions: procurement.utoronto.ca/contact-us

In addition, the **Financial Advisory Services and Training (FAST)** team is available to provide training and support for processing transactions: finance.utoronto.ca/fast/fast-team-contacts-and-faculty-representatives

INTRODUCTION

Procurement Decision-Making

To ensure consistent application of Procurement Policy principles and requirements, staff and faculty are strongly encouraged to visit the Procurement Services website (procurement.utoronto.ca) which provides comprehensive procurement information including tools, templates, and methodologies as well as any new services and programs that may be developed from time to time.

The following information should be considered prior to determining which procurement tool or method to use. Suppliers enabled on uSOURCE or on the Approved Supplier list should be considered prior to using any other available procurement tool (see Planning section below).

Consulting Services

Before engaging an individual to provide services to the University, it is important to identify if the services should be provided by an employee of the University, or by an external third party, i.e. an independent contractor.

Engagement processes, tax treatments and payment processes will vary depending on how the service provider is classified. If the service should be provided by an employee, contact your local HR representative for guidance.

Consultant vs. Contractor

When an individual engaged to provide services is not an employee, this individual is typically referred to as an independent contractor. This is further defined depending on the nature of the work that is required: consultant or contractor. Each has its own engagement requirement under the University's Procurement Policy.

The following may help to determine if the engagement should be classified as consulting versus contracting:

Consultant - Person or entity under an agreement (not an employment agreement) to provide expert strategic advice and related services for consideration and decision-making by the University.

Contractor - Person or entity retained under fee-for-service arrangement to perform specific tasks at the direction of the University for a limited period of time.

If engaging services from a Consultant, it is important to note that consulting services must be **competitively sourced regardless of dollar value**: a minimum of 3 supplier quotations are required for any engagement under $100,000).

If it is not possible to obtain the minimum number of quotations, a Procurement Policy Exemption Justification form (PPEJ - outlined below) is required, a solid business case must be included, and authorization must be obtained from the President of the University.

Procurement Policy Exemptions Justification (PPEJ)

At the University of Toronto, competitive procurement for goods and services is a shared responsibility based on type, dollar threshold, documentation and authority.

Obtaining supplier quotations or issuing an open tender call is required to allow suppliers in the marketplace a fair and transparent opportunity to supply the University with the goods and services needed for business purposes. If this is not possible (e.g. there is only one supplier in the market), a PPEJ form must be completed, and depending on campus and dollar value, sent to Procurement Services for review. The PPEJ form should include the appropriate level of detail to support the non-competitive procurement decision (and the selected exemption provision), as it will be referred to in the event of an internal audit review or a Freedom of Information (FOI) request.

Vendor Master

The Vendor Master stores information on suppliers with which the University of Toronto conducts business. Each supplier has a vendor master record (i.e. vendor account), which is required when issuing payment through FIS.

If the selected supplier is not already in the Vendor Master, a *New Supplier Account Request* form should be completed and submitted to Procurement Services, with a quotation or invoice from the supplier, and any additional documentation.

One Time Account (OTA)

The OTA vendor may be used only when ALL OF THE FOLLOWING CONDITIONS EXIST:

- A vendor master record does not exist
- The transaction value does not exceed $9,999.00 pre-tax
- You do not anticipate using the supplier more than once

In addition to the conditions above, using an OTA vendor is NOT RECOMMENDED if relying on the supplier to provide on-going warranty or support services after the payment is made in full.

If you are creating a purchase requisition (e.g. radioactive material) or purchase order, you MUST use a permanent vendor number.

ADDITIONAL RESOURCES

- Approved Suppliers procurement.utoronto.ca/approved-suppliers
- uSOURCE procurement.utoronto.ca/usource
- Invitation to Quotation SOP procurement.utoronto.ca/tools-templates-forms/invitation-to-quotation-sop
- Procurement Policy Exemptions procurement.utoronto.ca/about-procurement/non-competitive
- Consulting Services procurement.utoronto.ca/about-procurement/consulting-services
- Vendor Master Record Management procurement.utoronto.ca/programs-and-services/vendor-master

1. PLANNING

This crucial phase of the procurement cycle is often
the most ignored. The following should be considered during
the planning phase:

uSOURCE

uSOURCE is the University of Toronto's online marketplace, an
eProcurement platform that provides a one-stop-shopping
experience that saves time and money, offers more choice,
and takes the guess-work out of routine purchases. If the
product or service is available through uSOURCE, orders may be
placed directly without additional quotations, and invoices are paid
automatically by the system. New suppliers and their offerings are added
to uSOURCE when possible.
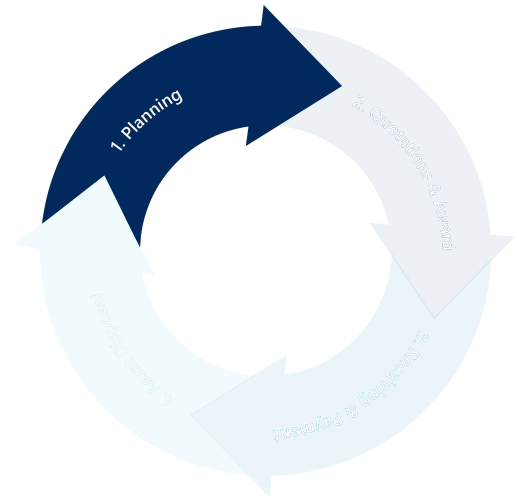
Approved Suppliers

To reduce the administrative effort when purchasing standard goods or services, contracts have been negotiated
with University of Toronto Approved Suppliers. Approved Supplier agreements add the confidence of knowing
that they are compliant with the University's Procurement Policy. Additional approved suppliers are identified on
an ongoing basis along with their specific order/pay process.

Other benefits include:

- ✔ Provide competitive pricing and discounts
- ✔ Have set terms and conditions, making the ordering and payment process more efficient
- ✔ Reduce or eliminate the requirement of obtaining additional quotations

CFI-Funded Purchases

When granting agency guidelines or the terms of a specific grant impose greater restrictions, they will supersede
University policy requirements. For example, when purchasing using a CFI funding source, the *Normal Discount*,
Educational Discount, *In-Kind Contribution*, and *Fair Market Value* must be clearly documented.

uSOURCE cannot accommodate these requirements and should not be used when purchasing research-related
goods using CFI funds. Instead, supplier quotations should be solicited using the Invitation to Quote – CFI
template, and a Purchase Order created in the University's financial system.

If the goods/services are not available through uSOURCE or from Approved Suppliers, the following steps should
be followed:

IDENTIFY NEED

➢ What do you need to buy?
- o It is strongly recommended to document your department's requirements in writing. This guarantees all of the suppliers have access to the same information related to the department's need prior to providing a quotation.
- o It is really important to provide clear and comprehensive product or service specifications so that the suppliers understand what you need; incomplete specifications may lead to incorrect quotations and add to rework effort.

DETERMINE FREQUENCY AND COST

➢ How often do you have to buy it?
- o Is this a one-time purchase or will the product/service be required again in the near future?

➢ What is the total estimated cost?
- o Make sure to include annual maintenance fees, warranties and/or goods and/or services that may be required over the course of the engagement with the supplier.
- o This total estimated cost may determine a different procurement process (i.e. open tender call issued by Procurement Services).

VERIFY BUDGET AND APPROVALS

➢ Do you have the funds, authority, and approvals to make the purchase?

OTHER CONSIDERATIONS

➢ Are there additional conditions that should be considered (e.g. research grant requirements)?
➢ Have you allowed sufficient time for the entire order-to-pay process, including approvals and compliance reviews?
➢ For physical assets (e.g. furniture), how will you dispose of the asset at its end of life?

2. QUOTATIONS & AWARD

The quotations and award phase involves choosing and placing the order with the supplier. For purchases at or greater than $100,000, this would involve an open competitive process/tender call (e.g. RFP). For purchases less than $100,000, it means gathering and evaluating quotations prior to selecting the supplier.

DETERMINE SUPPLIER

Under the University's Procurement Policy, and when not using uSOURCE or an Approved Supplier, a minimum number of supplier quotations are required for purchases of goods and services (for the purpose of calculating the total
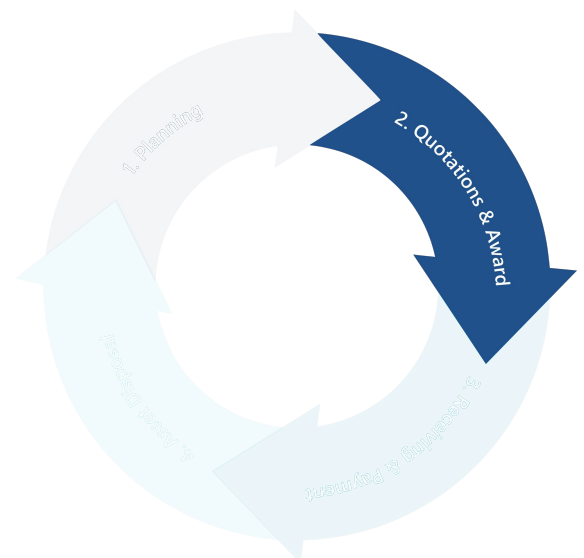
estimated dollar threshold, taxes should be excluded):

- 1 quotation less than $10,000
- 2 quotations between $10,000 – $49,999
- 3 quotations between $50,000 – $99,999

➢ To ensure the procurement process is fair, open, and transparent, all suppliers should be provided with the same information.

➢ U of T quote templates are available for goods, services, and CFI-funded purchases. These templates ensure suppliers are provided with the same information, and expedites the compliance review process.

➢ It is highly recommended to solicit quotations from more than the minimum number of suppliers to ensure the minimum number of quotations are received. This demonstrates evidence of competition. Keep on file any "no quotation" responses from suppliers who decline to quote. Make sure the reason for the decline is included.

➢ There is no obligation to make a purchase resulting from any quotation solicitation.

➢ If the product or service is available through uSOURCE, orders may be placed without additional quotations. Similarly, most Approved Supplier contracts reduce or remove the need for additional quotations.

➢ When the competitive process is not possible (e.g. only one supplier can provide the product or service), a Procurement Policy Exemption Justification (PPEJ) form must be completed and authorized prior to placing the order with the supplier.

PLACE ORDER

➢ The process of placing the order is typically driven by the dollar value or the nature of the purchase. For example, a Purchasing Requisition is required for radioactive material (which is routed to Environmental Health and Safety for review and tracking).

➢ To protect the financial interests of the University, the purchase of goods and/or services (excluding construction) greater than $10,000 typically requires a Purchase Order to be created in the University's financial system. The purchase of services may require more comprehensive terms and conditions, in which case, a detailed agreement or contract may be sent to the supplier in lieu of a copy of the PO. This agreement can be attached to the PO in the financial system as supporting documentation.

➢ Multi-year Purchase Orders should be created in the University's financial system for lease or other contractual arrangements where the service(s) will be provided over an extended period of time.

➢ All Purchase Orders (excluding construction) greater or equal to $25,000 are automatically routed to Procurement Services for a compliance review before being released (UTM and/or UTSC may have a different process/threshold).
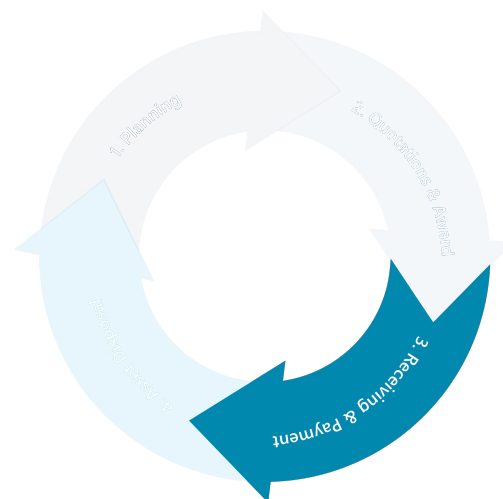
3. RECEIVING & PAYMENT

GOODS/SERVICES RECEIVED

➢ Goods or services received must match the original purchase agreement; this is to ensure the University **only pays for items received/consumed**.

➢ The packing slip or receiving report (if a packing slip is not provided by the vendor) is typically included with the shipment. For Purchase Order transactions (excluding uSOURCE Purchase Orders under $5,000) the packing slip or receiving report **must be kept on file by the local unit for audit purposes**.

   If a packing slip is not provided, see the Receiving Reports section the in the GTFM for guidance (link below).

➢ For uSOURCE orders, if the value is greater than $5,000, a Goods Receipt must be created in uSOURCE before payment is released to the supplier. However, regardless of order value, ensure each delivery is properly inspected and documented.

➢ In the case where suppliers fulfill an order with multiple deliveries, ensure the Goods Receipt reflects only what was included in each delivery.

ADDITIONAL RESOURCES

- Receiving Reports finance.utoronto.ca/policies/gtfm/purchasing-and-payments-to-vendors/purchase-order-invoices/#receiving
- uSOURCE: Receiving and Returning procurement.utoronto.ca/knowledgebase_category/receiving-and-returning

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INVOICE RECEIVED & PAY SUPPLIER

➢ Ensure information on the invoice, such as price, quantity and quality, match the information contained in the original supplier quotation or purchase agreement and/or the information noted when the goods/services were received.

➢ Ensure sufficient funds are available and obtain approval to issue invoice payment.

➢ The process of issuing payment will depend on the ordering method. For example, uSOURCE invoices are submitted electronically by the supplier, and paid automatically for orders below $5,000, and after the Goods Receipt has been created for orders above $5,000.

➢ The University of Toronto's Standard Purchase Order Terms and Conditions are publically available on the Procurement Services website, and are incorporated by reference in all Purchase Orders.

➢ The University's standard payment terms are net 35 days. Exceptions may be made with Central Procurement Services approval.

FILE DOCUMENTATION

➢ For reporting and auditing purposes, all procurement documentation, as well as any other pertinent information must be retained for a period of seven years. Procurement documentation includes: Quotations, Purchase Orders, Contracts, PPEJ forms, Packing Slips, Invoices.

➢ For Purchasing Card (PCard) purchases, receipts and credit card statements must be reconciled and kept on file by the local unit.

4. ASSET DISPOSAL

Capital assets include land, buildings, furniture, equipment, books, artwork and other assets funded from any source, including research grants. At the University of Toronto, all purchases that fall under the above definition and have a life expectancy greater than one year and a value of $5,000 or more (excluding related costs, e.g. freight and taxes) are considered capital assets. This definition is applicable for purchase funded by operating, ancillary, capital or restricted funds.

The University currently does not maintain capital asset listings centrally. Departments are required to maintain a record, or inventory, of capital assets to facilitate management and audit requirements.

It is the selling department's responsibility to find a buyer. The surplus asset should not be disposed if it can be
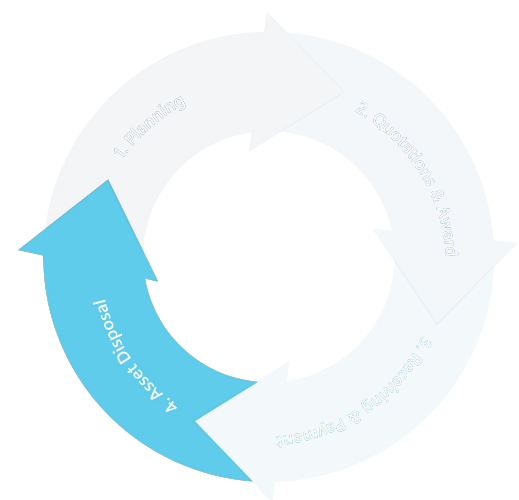
used by another department/user within the University. Therefore, if a University buyer has not already been identified, the department should take steps to do so.

- ➢ Disposing of a physical asset at the end of its useful life or ending a service contract should be a consideration during the planning phase.

- ➢ Assets valued at less than $200 can be disposed of at the Swap Shop.

ADDITIONAL RESOURCES

- Capital Asset Disposal finance.utoronto.ca/policies/gtfm/capital-assets
- Swap Shop fs.utoronto.ca/building-services-trades/recycling-services/swap
- Recycling Services fs.utoronto.ca/building-services-trades/recycling-services