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# Procurement Best Practices

One of the most often talked about subjects in recent years is the topic of procurement processes. They vary from condo to condo, manager to manager, and management company to management company. Part of that is due to the very nature of condominiums. Individual condos have the decision-making responsibilities of what work will be done, who will do it, what vendors will be used and even what type of contract will be issued. These realities fly in the face of the systemic approach to procurement that most would want to see in our industry.

The Condominium Authority of Ontario provides a 64-page best practices guide for directors on their website. This manual contains valuable information, but two of the key topics it covers in great detail include steps to increase transparency and assess the required risk associated with work.

**Transparency** - One of the key principles in a good procurement process is a commitment to transparency that will stand up to scrutiny from auditors, owners and future directors. The dedication to transparency includes accurate and detailed record keeping of tendering procedures, specifications, bid reviews, contract awards and payment

policies and procedures. Whether the project in question is large or small, ensuring a clear paper trail through contracts, minutes, inspection records and invoice processing will help ensure that the board and management can document the procedures they follow.

**Risks** – Understanding the potential risks associated with any purchase process is integral to building manageable policies that provide value for the time invested in the process. It should be self-evident that the specifications in awarding a concrete repair or boiler replacement project in a condominium are vastly different from those needed for lawn maintenance or line painting. While the principles remain the same, the complexities and costs dramatically increase the risks associated with some projects. Handling those large purchases by issuing a PO would simply not provide the corporation with sufficient protection.

### Best Practices in Procurement

When considering your procurement practices, it is essential to ensure that you have designed processes that offer the protections you seek without creating extra work.

**1. Plan Ahead** – allow sufficient time to prepare for the administrative process ahead of the time allowed for the completion of work. It takes time to prepare specifications, select bidders and review tenders.

**2. Type of contract** – Determine if the contract will be issued using a PO, a written contract, or a more formal CCDC-style contract. The size and scope of the work will assist in determining the appropriate style of contract.

**3. Specifications** – If the work being considered requires a formal contract, it is preferable to have written specifications prepared for the purposes of tendering the job. In some cases, this may mean that an independent consultant is required to prepare the specifications.

**4. Vendor Selection** – many management firms have approved vendors where the required insurance coverages are confirmed regularly allowing the manager to select contractors who have been pre-approved. In the case of larger jobs, or jobs that are not regularly undertaken, it is advisable to look outside your own approved contractor list for firms that are specialists. These firms have larger resource pools to take on large jobs or



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contractors prepared for work that may be phased over several months or even years.

**5. Tendering** – Provide a deadline and consider the necessary protections for the manager and the board members. Ensure bids are received by a deadline. It may be advisable to receive the tenders in a sealed envelope, allowing them to be opened at a predetermined time with multiple representatives present. This is especially true for larger, more expensive projects or contracts.

Note: The dangers in procurement are most often found during the specification preparation process, the vendor selection process and the handling of the tenders. Specifications should allow for substitute materials to be proposed in order to ensure that the pool of potential vendors is as large as possible. Vendor selection should include multiple firms selected by the board to prevent consultants from controlling the list of those given the opportunity to bid. The tender opening should include multiple board members to document the lowest bidder and ensure that all bids were received unopened for a fair comparison.

### The Board's Role

The board of directors is ultimately responsible for ensuring that work is completed. The process of approving the work can be nerve-racking, given that many times they approve work that may be outside of their own area of expertise. The knowledge that you are authorizing large, expensive projects can cause the decision-making process to stall out of anxiety or fear of making a wrong decision.

During these times, the board can take comfort in the security provided by following a sound procurement policy.

### The Manager's Role

Property managers are responsible for the execution of the procurement processes as set out by the board of directors or the management company.

- Ensure that the appropriate contract method is executed correctly, providing additional potential vendors for the tendering process, properly documenting the entire process, and presenting a contract to the board for execution.
- Documentation and record-keeping help protect the manager and the board.

### Consultant's Role

There are several questions to be

answered when determining if a third-party consultant should be used:

- Is the scope of the work outside of the expertise of the manager, management company or the board of directors?
- Do the risks associated with the work merit the costs of third-party consultants?
- Does the preparation of the specifications require expertise unavailable within the organization?
- Will the condo benefit from the protections offered by regular work inspection and invoices approval by an outside expert?

One of the challenges that managers often face is the expectation from the board that property management is the same as project management or that once the contract is prepared and awarded, the manager can inspect and approve the work. In these cases, it is essential to remind the board that we are not engineers and that under our manager's licence, we are prohibited from undertaking work beyond the scope that we have the knowledge and training to provide. We are not lawyers and engineers; protect yourself, and don't

be afraid to remind the board of that.

In closing, there is no replacement for a well-thought-out plan that anticipates the different levels of procurement, the size and scope of the work, the cost and type of contract that best fits the needs of the condominium and the policies and procedures that best protect the board, the manager, the contractor and the owners.

Plan ahead and make sure that you follow the procurement policy that your management company or board set out. The steps are there for a reason, and the spending thresholds and contract templates offer protection. Ultimately that is the purpose of procurement policies and procedures; they offer protection, and these days we can all use a little bit more of that. ■

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