



Vendor Management

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Vendor Management

Table of Contents

1. Description	3
1.1 Purpose	3
1.2 Overview	3
1.3 Objective	3
2. Process Details	4
2.1 Identify and Evaluate Vendor Relationships and Contracts	4
2.2 Select Vendor	5
2.3 Manage Vendor Relationships and Contracts	7
2.4 Monitor Vendor Risk, Performance and Compliance	7
3. Appendix A – Procurement Policy	9
3.1 Procurement Value, Method/Mean and Approval Authority	9
3.2 Documentation	9
3.3 Multi-Year Procurement	9
4. Appendix B – Vendor Evaluation Criteria	10
4.1 Detailed Vendor Evaluation Questions	10
4.2 Evaluation Criteria by Type	10

Vendor Management

1. Description

1.1 PURPOSE

The purpose of Vendor Management is to minimize the risk associated with non-performing or non-compliant vendors.

1.2 OVERVIEW

Vendor Management manages products and services provided by digital and technology vendors to meet enterprise requirements. This includes the search for and selection of vendors, management of relationships, management of contracts and the monitoring of vendor performance for effectiveness and compliance.

The Vendor Management process includes the following activities:

- Identifying and evaluating vendor relationships and contracts
- Selecting vendors
- Managing vendor relationships and contracts
- Managing vendor risk
- Monitoring vendor performance and compliance

1.3 OBJECTIVE

The objective of Vendor Management is to balance the quality of services provided by vendors.

2. Process Details

2.1 IDENTIFY AND EVALUATE VENDOR RELATIONSHIPS AND CONTRACTS

Continuously search for and identify vendors and categorize them into type, significance and criticality. Establish criteria to evaluate vendors and contracts. Review the overall portfolio of existing and alternative vendors and contracts. The following are the process steps as they relate to identifying and evaluating vendor relationships and contracts.

Process Step	Description	Responsible	Input	Output
Search for vendors	Continuously scan the enterprise landscape in search for new partners and vendors that can provide complementary capabilities and support the realization of the IT strategy, road map and enterprise objectives.	Cloud Deployment & Operations Manager (CDOM)	Market research	List of vendors
Establish criteria	<p>Establish and maintain criteria relating to type, significance and criticality of vendors and vendor contracts. KPIs used by MHS can include the following:</p> <ul style="list-style-type: none"> • Time required to source resources from initial request • Meeting milestones/Adhering to SOW • Ensuring client satisfaction • Ensuring invoice accuracy • Mean time to remediate defects by severity level • Contractual compliance • Mean time to repair product defects by severity • Ensuring client satisfaction • Ensuring invoice accuracy • Cost effectiveness • Adherence to SLA <p>There should be a set of services defined in the contract, each of which has a service level and will be the principal metrics under which a service provider should be measured</p>	CDOM	List of vendors	Criteria determined

Vendor Management

Process Step	Description	Responsible	Input	Output
Identify, record and categorize existing vendors	Identify, record and categorize existing vendors (Technology, Operational, Other) and contracts according to defined criteria to maintain a detailed register of preferred vendors.	Contracts Manager and Finance Manager	Criteria determined	Vendors identified, recorded and categorized
Conduct an annual vendor review	<ul style="list-style-type: none"> • Annual Vendor review • At a high level, evaluate vendors based on evaluation criteria which can include how well and effectively vendors have supported MHS on key deliverables. • Specific questions and criteria to be used can be found in Appendix B – Vendor Evaluation Criteria 	CTO/CDOM	Vendors performance / delivery evaluated and categorized	Annual review conducted

2.2 SELECT VENDOR

Select vendors according to a standard framework to ensure a viable best fit based on specified requirements. Requirements should be optimized with input from potential suppliers. The following are the process steps as they relate to selecting vendors.

Process Step	Description	Responsible	Input	Output
Review, evaluate and score vendor offers	<p>The CDOM review, evaluate and score the vendor offers. This includes:</p> <ul style="list-style-type: none"> • Reviewing all enterprise requirements for security and privacy of information, operational business and IT processing requirements, priorities for service delivery, etc.) • Evaluating vendors in accordance with the approved evaluation process/criteria • Maintaining documented evidence of the evaluations. • Verifying the references of candidate vendors. 	-CDOM -CTO	Completed vendor proposals / offerings	Evaluated and scored vendor response
Request additional information, vet uncertainties	The CDOM or the project lead requests additional information from the vendor who provides the requested information to the CDOM	- CDOM	Request for additional information	Additional information received

Vendor Management

Process Step	Description	Responsible	Input	Output
Shortlist, rank and recommend vendor	The CDOM shortlists, ranks and recommends a vendor	- CDOM	Evaluated and scored vendor response	Ranked vendors shortlist
Send ranked vendor shortlist to CTO	The CDOM sends the ranked vendor shortlist to the CTO for review. For purchasing thresholds, refer to Appendix A – Procurement Policy	CDOM	Ranked vendor shortlist	CTO review
Vendor section approved?	Does the CTO approve the recommended vendor? If so, the CDOM will select the vendor. If not, the CDOM will review/rework the vendor recommendation	CTO and CEO	Ranked vendor shortlist	Approved or rejected vendor recommendation
Select vendor	The CTO with a recommendation from the CDOM, selects the vendor. If the CTO and CEO approve the recommended vendor, the CDOM informs the vendor that they have been selected.	CDOM		Vendor selected
Rework vendor recommendation	If the CTO and CEO does not approve the recommended vendor, the CDOM reworks the vendor recommendation or selects an alternate vendor	CDOM		Reworked vendor recommendation
Develop contractual documentation	With input from the Contracts Manager, the CDOM and the vendor review the contract.	-CDOM -Contracts Manager -Vendor	Contractual documentation	Signed vendor contract
Document decision and sign contractual documentation	The MHS ASO and the vendor execute the contract. For purchasing thresholds, refer to Appendix A – Procurement Policy	- MHS ASO - Vendor - Contracts Manager	Signed vendor Contract	Decision communicated to Finance Manager and corresponding technology teams

Vendor Management

2.3 MANAGE VENDOR RELATIONSHIPS AND CONTRACTS

Formalize and manage the supplier relationship for each vendor. Manage, maintain and monitor contracts and service delivery. Ensure that new or changed contracts conform to enterprise standards and legal and regulatory requirements. Deal with contractual disputes. Manage vendor against KPIs

Process Step	Description	Responsible	Input	Output
Assign relationship owners	Assign relationship owners for all vendors and make them accountable for the quality of service provided. Ensure the contact person for MHS and the vendor are clearly identified.	Contracts Manager, Finance Manager, CDOM	Signed vendor contract	MHS contact Vendor contact
Specify a formal communication and review process	Specify a formal communication and review process, including vendor interactions and schedules.	CDOM	Meeting to discuss schedule	Schedule
Renew/extend formal contract with vendor	Agree on, manage, maintain and renew formal contracts with the vendor. Ensure that contracts conform to enterprise standards and legal requirements.	CDOM and Contracts Manager	Formal review of performance	Contract renewal/extension
Use established procedures or contractual commitments to deal with contract disputes.	Whenever possible, first use effective relationships and communications to overcome service problems. Second step, work with Contracts Manager for contractual support for effective management.	CDOM & Contracts Manager	Contract disputes	Contract disputes resolved

2.4 MONITOR VENDOR RISK, PERFORMANCE AND COMPLIANCE

Identify and manage risk relating to vendors' ability to continually provide secure, efficient and effective service delivery. Periodically review overall vendor performance, compliance to contract requirements and value for money. Address identified issues and vendor performance. Review vendors against criteria, service levels and contracts.

Vendor Management

Process Step	Description	Responsible	Input	Output
Prepare for vendor risk with anticipated safeguards	<p>When preparing the contract, provide for potential risk by clearly defining</p> <ul style="list-style-type: none"> • Service requirements, process for addressing inconsistencies, timeframe for remediation, etc. • Alternative vendors or standby agreements to mitigate possible vendor failure • Security and protection of IP • Privacy requirements • Legal or regulatory requirements. 	CDOM & Contracts Manager	Internal input	Addressing and mitigating potential risks via contractual safeguards and transition of services commitments, breaches, etc.
Identify, monitor and manage risk relating to the vendor's ability to deliver service	Identify, monitor and, where appropriate, manage risk relating to the vendor's ability to deliver the service or product efficiently, effectively, securely, confidentially, reliably and continually.	CDOM	Internal Team meetings	identification/ highlight of potential vendor shortfalls to be communicated to vendor and addressed.
Define and document criteria to monitor vendor performance	Define and document criteria to monitor vendor performance aligned with service level agreements (SLA). Ensure that the vendor regularly and transparently reports on agreed criteria.	CDOM and project lead	Review of vendor practices and controls	Criteria defined and documented with benchmarks
Monitor and review service delivery to ensure vendor is providing quality of service	Monitor and review service delivery to ensure that the vendor is providing an acceptable quality of service, meeting requirements and adhering to contractual commitments.	CDOM and project lead	Criteria defined and documented with benchmarks	Service Level Agreement criteria met
Review vendor performance and value for money	Review vendor performance and cost effectiveness. Ensure that the vendor is reliable and competitive, compared with alternative vendors and market conditions.	CDOM	Service Level Agreement criteria met	Benchmark review and annual review of performance

3. Appendix A – Procurement Policy

3.1 PROCUREMENT VALUE, METHOD/MEANS AND APPROVAL AUTHORITY

The table below outlines the approved method/means of procurement and approval authority for corresponding procurement values. A method of procurement set out in the table may be utilized for procurement of goods and services with lesser value but may not be used for procurement of goods and services with a greater value.

Procurement Value	Method/Means of Procurement	Approval Authority
\$0 up to \$99	Petty Cash or Credit Card	Employee of MHS with authority expressly delegated by a Manager
\$100 up to \$4,999	Credit Card or Cheque	MHS Manager
\$5,000 up to \$24,999	Contract, Purchase Order or pre-determined payments for services	MHS Manager with approval of Senior Leadership Team member approval
\$25,000 up to \$99,999	Contract, Purchase Order or pre-determined payments for services	MHS ASO (CFO or CEO)
\$100,000 or more	Contract, Purchase Order or pre-determined payments for services	MHS ASO (CFO or CEO)

All procurement transactions will be supported by appropriate methods and approvals. All required documentation will be developed and maintained for verification and audit purposes. MHS staff shall use the following procurement processes:

3.2 DOCUMENTATION

Employees managing procurement processes; developing procurement documents, purchase orders, and contracts; and authorizing transactions must ensure that all policies and procedures are followed, reviews and approvals required have been obtained, and appropriate documentation of these approvals is maintained.

All procurement documents, purchase orders, and contracts shall be maintained with documentation of the appropriate approvals and the original or a copy filed.

3.3 MULTI-YEAR PROCUREMENT

There are occasions when MHS will engage the same supplier over multiple years based on a need for continuity, efficiency, and/or the ability to provide a unique service. Examples may include the provision of information technology and data management services associated with MHS, when a series of oversight audits are planned over multiple years or provision of legal services.

The contract should be based on a multi-year plan approved by an MHS ASO. Following assessment and confirmation that key milestones and deliverables were achieved to MHS' satisfaction and provided there is a continued need for the service, the contract would be renewed or revised for additional periods of time.

4. Appendix B – Vendor Evaluation Criteria

4.1 DETAILED VENDOR EVALUATION QUESTIONS

A detailed annual vendor review should include answers to the following questions:

- Are the current vendors providing services that meet MHS requirements?
 - Has the risk profile of vendors changed?
 - Have vendors been acquired, entered into financial difficulty, experienced legal issues, etc.
 - Has vendor performance met MHS requirements?
 - Have contracted service levels been maintained?
 - Are vendors providing customer satisfaction levels that are acceptable to MHS?
 - Have vendor unit costs escalated over the course of the year?
 - Are contracts coming up for renewal?
 - Have there been any occasions where the vendor has been out of compliance with MHS policy? Industry standards? External stakeholder requirements?
- Have new entrants for providing existing services come onto the scene?
- Have vendors come up with new products or services that might be of use to MHS?
- Have new versions of existing products or services evolved that MHS should consider?

4.2 EVALUATION CRITERIA BY TYPE

The evaluation criteria can include additional criteria as follows:

- Company Profile
- Proposed Solution
- Proposed Team
- Proposed Pricing
- High Level Requirements by Functional Area
- Non-Functional Requirements
- Proposed Schedule (implementation timelines)
- Proposed Pricing
 - Product Cost
 - Support Costs
 - Implementation Costs