

## A Unique Case of Unexpected Delay and Associated Factors in the Purchase Process

**Running title:** Delay in Purchase Process

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### Abstract

The time taken to purchase any product has a significant impact on the procurement of goods and services. This case study highlights an unusual situation where effecting the purchase of Diagnostic Stains took more than two years. The contributing factors involved some unique circumstances, including the COVID 19 pandemic. The study highlights the fact that despite well-laid down procurement rules and procedures, Hospital Administrators should be cautious of unanticipated variables, which may impact Lead Time and in turn adversely affect continuity of service.

**Key Words:** Diagnostic Stains, Purchase, Procurement, Delay, Covid

### Case Study

Procurement is the mechanism to get goods/services required by users in a timely manner at reasonable cost and of acceptable quality. Time taken to purchase the goods, known as Lead Time, is an essential factor impacting the procurement of goods/services. Lead Time (LT) is the time between initiating and completing the procurement process. Lead time is further classified into Internal Lead Time (ILT) and External Lead Time (ELT). ILT is the time between raising the demand and placing the order, whereas ELT is the time between placing the order and receiving the product.

We describe a peculiar case where it took more than two years to effect a purchase of

Diagnostic Stains. The file went through various steps of the procurement process as laid down by the Institute Purchase Policy and the General Financial Rules of the Government of India [1].

#### **Step 1: User Department generates the demand and sends it to the Stores of the Institute**

A Diagnostic department of the Institute requisitioned the purchase of Special Diagnostic Stains (total of 16 types) and sent the file to Stores. The concerned stores returned the file to the user department with remarks that the said Diagnostic Stains were not on the list of the Chemicals approved for purchase by the Institute.

The user department reverted the file to Stores and clarified that such stains were special dyes required for various diagnostic purposes and are purchased yearly through a separate Chemical Grant (grant given by the Institute for purchasing various chemicals used in the Institute).

### **Step 2: Approval from Non-Plan Purchase Committee (NPPC)**

NPPC is an Institute Committee constituted to facilitate the purchase of materials. The Committee approves the annual demand for procuring material (surgical, chemical, sanitation-related, glassware, stationery, furniture, linen). The concerned stores then process the case of purchase of the approved material through the Procurement Division.

NPPC (Chemical) approved the purchase of Diagnostic Stains after requisite clarification from the user department.

*The time taken for the file to clear Step 1 and Step 2 was 93 days.*

### **Step 3: File sent to the Procurement Division of the Institute for floating quotations**

After receiving approval from the NPPC, the case was forwarded to the Procurement Division of the Institute.

The Procurement Division sent the case back to the user department through the stores to check for the availability of products on the Government e-Marketplace (GeM) [2]. The user department intimated that only one out of 16 items was available on GeM, but the packing size was different from the specifications of the user department.

Procurement Division invited limited quotations (wherein quotations are invited from the list of registered suppliers for the goods in question as referred under Rule 150 of GFR, 2017<sup>[1]</sup>) from the prospective vendors following the comment from the user department.

*It took 23 days to issue the Notice Inviting Quotations (NIQ), wherein 24 days were allowed to the prospective vendors for submission of the same.*

### **Step 4: Scrutiny of the Bids Submitted**

The file was moved to the user department for scrutiny and comparison of the bids and to submit recommendations for the purchase.

The user department rejected 6 out of 16 stains required as their technical codes did not match with the one proposed in the specifications given with the indent. The file was resubmitted to the Procurement Division without a comparative statement.

The Procurement Division returned the file to the user department to justify not preparing the comparative statement and to give clear recommendations for the purchase. The user department resubmitted the file with the required justification.

*The total time taken for Step 3 and Step 4 was almost 70 days.*

### **Step 5: Approval from the Accounts Branch and the Competent Authority**

The file was sent to the accounts branch for financial concurrence/ clearance. Accounts branch raised objections like price hike and difference in packing of the stain. The user department and bidders clarified the questions raised. The file was then moved to the Competent Authority for approval.

*The total time taken for Step 5 was almost 73 days.*

### **Step 6: Issuance of Supply Order to the selected vendor**

The supply order was issued to the two selected firms after 17 days of clearance from the Competent Authority. However, the supply orders were dispatched only after 81 days of the issuance. The perusal of files did not reveal the reasons for the delay.

***Until this stage, it was observed that the ILT for purchasing Diagnostic Stains was already almost 11 months and 10 days.***

On receiving the supply order for the said product, one of the selected firms demanded to revise the rates with a 10% increase. The firm submitted that the quoted rates were valid for three months only, which had already elapsed, and the market rates had increased since then. The firm also demanded that it should be allowed a delivery period of not less than 60 days (as against a delivery period of 30 days specified in the supply order) and that the payment should still be released within 30 days of supply (as mentioned in the supply order).

The Institute decided to revoke the supply order given the demand raised by the vendor since the relaxation demanded was not permissible as per rules.

The file was sent back to the user department to resubmit the case with new specifications.

***The purchase file went through the steps mentioned above all over again, and it took another 174 days to re-issue the supply order to a new firm.***

After issuing the supply order, the newly selected firm expressed its inability to supply the material due to COVID 19 lockdown and requested an extension in the delivery period.

After 95 days of extension, the firm asked to cancel the supply order in their favour as they still did not have the stock of the required material, and the same was allegedly unavailable with the principal firm. Stores informed the user department about the situation and sought its opinion about the further course of action. The user department suggested that the firm quoting the second lowest rate (L2) may be asked to supply the material because of its importance.

Therefore, letters were issued to the principal firm and L2 firm to consent to supply the said stains on L1 rates.

In response to the said communication from the Institute, the principal firm agreed to supply stains at the rates quoted by the L1 firm. Moreover, it also clarified that the L1 firm was not their authorized distributor and that the L1 firm had not communicated to the principal firm regarding the supply order. The principal firm intimated the authorized distributor's details through which they agreed to fulfil the supply order.

The file was put up to the Accounts Branch to seek concurrence to issue the fresh supply order in the name of the distributor authorized by the principal firm to supply the material. The Accounts Branch concurred with the proposal, and it was also decided to debar the L1 firm for two years from participating in any notice inviting quotation/tender by the Institute on account of the submission of invalid authorization of the principal firm.

The purchase process was finally completed with the issuance of a supply order to the distributor authorized by the principal firm.

***The Total Lead Time for this case was 912 days, i.e., almost two years and five months.***

This purchase file thus stands out on account of the extraordinary Lead Time due to unique set of circumstances surrounding the case including the COVID 19 pandemic. Therefore, Hospital Administrators should be wary of unexpected variables which may impact Lead Time and may have adverse effect on continuity of service.

**Key Learning:** All the stakeholders should be aware of the procurement procedures to reduce the Lead Time, Internal as well as External Lead Time. User department should be aware of the requirements of procurement and accounts,

non-compliance to which, file is routed to them again and again. GeM portal is a mandatory requirement now. Every user should learn about its provisions. Users should also learn to comment on the price hike and offer comments. Sometimes price hike is justified, however, users have to put comments of justification without which file cannot be cleared. User department should be vigilant and also develop attitude of urgency in communication and follow-up. As demonstrated in this case study, even when there were all approvals, supply order was delayed. Had user department followed up the case proactively, some of the ILT could have been shortened. All above suggestions are for user department,

however, Institutes should also develop mechanisms to track the delays and expedite at various levels by setting up some coordination mechanisms.

### References

1. General Financial Rules 2017. New Delhi: Department of Expenditure, Ministry of Finance, Government of India; 2017.
2. GeM Handbook. New Delhi: Ministry of Commerce and Industry, Government of India; 2018. Available from: [https://assets-bg.gem.gov.in/resources/pdf/GeM\\_handbook.pdf](https://assets-bg.gem.gov.in/resources/pdf/GeM_handbook.pdf)

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