Government Services

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Main points

The Ministry of Government Services (Ministry) needs to approve construction contracts in accordance with its signing authority delegation. It also needs to properly approve invoices prior to paying suppliers to ensure that payments are reviewed and approved in accordance with *The Financial Administration Act, 1993*. The Ministry needs to sign an adequate agreement on disaster recovery and security with the Information Technology Office and adequately monitor the security of its information technology systems and data.

The Ministry should establish and use policies to monitor fuel purchases made with its credit cards to ensure the purchases are for government purposes. During the year, the Ministry discovered fraudulent use of its fuel credit cards.

The Ministry has more work to do to address our 2008 recommendations on its processes to maintain its vehicle fleet. The Ministry made progress on developing its business continuity plan.

Introduction

The mandate of the Ministry of Government Services (Ministry) is to support government program delivery by providing accommodation and property management, transportation services, purchasing, risk management, records management, telecommunications, and mail distribution.[1]

Financial overview

The following is a list of major programs and spending for the year ended March 31, 2010:

	Original Estimates[2]	Actual
	(in thousands of dollars)	
Central Management and Services	$ 44	$ 44
Accommodation Services	10,466	6,764
Project Management	1,376	474
Purchasing	1,942	1,618
Transportation Services	--	5,405
Government Support Services	406	381
P3 Secretariat	650	529
	14,884	15,215
Commercial operations[3]	--	82,030
Total Expense	14,884	97,245[4]
Capital acquisitions[5]	27,363	23,042
	$ 42,247	$ 120,287

The Ministry manages a significant amount of infrastructure and assets (e.g., buildings, vehicles) for the Government. At March 31, 2010, the Ministry held capital assets totalling $437 million.

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[1] *Ministry of Government Services 2009-2010 Annual Report*, p. 6.
[2] *Saskatchewan Provincial Budget 09-10 Estimates* – Government Services Vote 13: Government of Saskatchewan.
[3] Commercial operations are not included in appropriations and are on a cost-recovery basis.
[4] In 2009-10, the Ministry had expenses of $97.2 million net of recoveries of $165.8 million from other ministries, including $31.4 million of amortization of capital assets. Amortization is not included in appropriations.
[5] Amounts reflect estimated and actual spending.

Information about the Ministry's revenues and expenses appears in its annual report (www.gs.gov.sk.ca).

Audit conclusions and findings

In our opinion, for the year ended March 31, 2010:

♦   **the Ministry had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦   **the Ministry complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter**

In this chapter, we also report the results of our follow-up work on the Ministry's processes to maintain its vehicle fleet, as well as an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC) that the Ministry has not yet implemented and are not discussed in this chapter.

Follow delegation of authority for construction contracts and payments

The Ministry did not follow its processes for the approval of construction contracts and payments.

The Ministry's signing authority delegation requires invoices for payments on contracts be approved prior to payment and senior management to approve construction contracts over $1 million. This delegation is consistent with the payment approval requirements of *The Financial Administration Act, 1993.*

During 2009-10, we found that the Ministry did not always determine if the amounts paid to suppliers were correct (i.e., did not agree invoices from suppliers to support) prior to payment. The Ministry's internal audit found many instances where the Ministry paid suppliers prior to invoices being approved for payment. Also, we found nine construction contracts that

had not received proper approval including two contracts for over $10 million.

These weaknesses increase the risk that the Ministry may enter into unfavourable contracts and pay suppliers incorrect amounts. Also, paying suppliers prior to approving invoices for payment is not accordance with *The Financial Administration Act, 1993*.

1.   **We recommend that the Ministry of Government Services approve construction contracts in accordance with its signing authority delegation.**

2.   **We recommend that the Ministry of Government Services review and approve invoices prior to paying suppliers in accordance with *The Financial Administration Act, 1993.***

Better information technology processes needed

The Ministry did not properly protect its information technology (IT) systems and data in two areas.

In December 2009, the Ministry and the Information Technology Office (ITO) signed a service level agreement. The agreement sets out roles and responsibilities of both the Ministry and ITO. It identifies some of the Ministry's security and availability requirements and sets out the scope, level, and quality of services ITO is to provide the Ministry. The agreement does not include the following:

♦   the security policies and procedures that the Ministry's employees must follow
♦   requirements for reports from ITO on the adequacy of ITO's security
♦   adequate provisions for the on-going availability of the Ministry's key information technology services or disaster recovery processes, expectations, and reporting requirements

3.   **We recommend that the Ministry of Government Services sign an adequate agreement on disaster recovery and security with the Information Technology Office.**

The Ministry did not have adequate processes to monitor the security of its IT systems. Because the Ministry uses ITO as a custodian for its computer systems and data, the Ministry needs to monitor and assess the security provided by ITO to know that its computer systems and data are secure. The Ministry did not ask for or receive adequate information about security from ITO.

In 2009-10, the Ministry received monthly reports from ITO. The reports included information on ITO's activities such as service levels and costs, but the reports included little information on the security or availability of its systems. Also, the Ministry did not receive any information about the adequacy of ITO's controls or how weaknesses at ITO could impact the Ministry's systems and data. Nor did the Ministry know if ITO could meet the Ministry's disaster recovery needs.

Although the Ministry has processes for removing promptly user access from individuals who no longer work for the Ministry, it did not follow them in 2009-10. If former employees do not have access removed promptly, it increases the risk of inappropriate access to the Ministry's systems and data.

As a result of these weaknesses, the Ministry's systems and data are at risk of inappropriate access. Also, because of the lack of adequate information from ITO about security, the Ministry was not adequately aware of risks to its systems and data.

4. **We recommend that the Ministry of Government Services adequately monitor the security of its information technology systems and data.**

Better monitoring of fuel expense needed

In our 2008 Report – Volume 3, we recommended the Ministry establish and use policies to monitor fuel purchases made with its credit cards to ensure fuel purchases are for government purposes. In December 2008, PAC agreed with our recommendation.

The Ministry has a fleet of approximately 5,000 vehicles. The cost of fuel is the largest operating expense for its fleet. As previously reported, the Ministry does not have adequate policies and procedures to

systematically monitor that fuel purchases were for government purposes. Without adequate policies and procedures for controlling fuel purchases, the Ministry is at risk of spending public money for unauthorized purchases.

In 2009-10, the Ministry has implemented some procedures and is in the process of replacing its vehicle fleet management and credit card systems. The Ministry told us that this should allow it to adequately monitor fuel expenses.

Also during the year, the Ministry discovered $12,000 in fraudulent use of fuel credit cards.[6] The Ministry has cancelled the fuel credit cards and referred the matter to the police for investigation.

We continue to recommend that the Ministry of Government Services establish and use policies to monitor its fuel expenses made with its credit cards to ensure fuel purchases are for government purposes.

Business continuity plan needed

In our 2007 Report – Volume 3, we recommended the Ministry have a complete business continuity plan (BCP).[7] In June 2008, PAC agreed with our recommendation.

The Ministry must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. An adequate BCP must be written, approved, and tested to help ensure that the Ministry can continue to deliver its programs and services in the event of a disaster. Without an adequate BCP, the Ministry is at risk of not being able to deliver its programs and services in a timely manner.

During 2009-10, the Ministry continued to develop its BCP. It completed a business impact analysis and prioritized its critical business functions. The Ministry developed and approved BCPs for its ten most critical business functions. At March 31, 2010, four of those plans were not tested. Also, as noted above, the Ministry does not have an adequate

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[6] Losses of Public Money, 2009-10 Third Quarter Report, Losses Reported by Ministries and Treasury Board Crowns for the Period October 1, 2009 to December 31, 2009.
[7] Business Continuity Plan (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

agreement with ITO to ensure that the Ministry's critical IT systems can be recovered on a timely basis in the event of a disaster.

We continue to recommend that the Ministry of Government Services have a complete business continuity plan.

Processes to maintain its vehicle fleet—a follow-up

In 2007, we assessed the Ministry's processes to maintain its vehicle fleet. Our 2008 Report – Volume 1, Chapter 6 (pp. 71-78) concluded the Ministry did not have adequate processes to maintain its vehicle fleet in a safe condition and in an economical manner. We made three recommendations. On June 16, 2008, PAC agreed with our recommendations.

The following sections set out the recommendations (in italics) and the Ministry's actions up to September 30, 2010. We found that the Ministry still has work to do to meet our recommendations.

Processes to ensure vehicle fleet meets the safety standards of *The Traffic Safety Act*

We recommended that the Ministry of Government Services establish processes to ensure its vehicle fleet meets the safety standards of The Traffic Safety Act.

In April 2008, the Ministry implemented a requirement that all vehicles in its fleet must have semi-annual safety inspections. The Ministry created an interim electronic database that tracks information on vehicles inspected and vehicles overdue for an inspection; however, reports from this system are not accurate (i.e., they overstate the number of vehicles requiring inspection). The Ministry has not been ensuring that timely safety inspections occur across government.

The Ministry has successfully piloted an internal process to follow up on delinquent inspections. Management told us that it plans to use this process for all of its vehicles across government starting in October 2010.

Management told us that it is implementing a new fleet management system that will provide timely, complete, and transparent vehicle

maintenance tracking, planning, and reporting. It has scheduled the new system for implementation in February 2011. The new system will replace the interim electronic database currently used to track inspections.

Reliable maintenance and repairs records

We recommended that the Ministry of Government Services keep reliable maintenance and repair records for its vehicles.

In September 2008, the Ministry implemented an electronic repair authorization process. It also transferred the responsibility for coding of authorized repair expenses from administrative employees to employees with technical expertise.

As indicated above, the Ministry told us that it is implementing a new fleet management system that will provide timely, complete, and transparent vehicle maintenance tracking, planning, and reporting.

Reports to senior management

We recommended that the senior management of the Ministry of Government Services receive reports to verify that vehicles are maintained in a safe condition and in an economical manner.

As indicated above, the Ministry has not been verifying that timely safety inspections of vehicles occur across government. Management told us that effective October 2010 it will initiate a process to ensure that vehicles receive timely safety inspections.

The Ministry told us that when it starts using the new fleet management system in February 2011, it will be able to provide senior management with appropriate reporting with respect to vehicle safety and the cost-effectiveness of repairs.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[8]

PAC REPORT YEAR[9]	OUTSTANDING RECOMMENDATION	STATUS
Ministry of Government Services (Cross-Government Infrastructure)		
2005	PAC concurs: 12-3 that the Saskatchewan Property Management Corporation should provide the public with additional information about the extent to which the use of its key infrastructure (i.e. facilities, vehicles, and aircraft) achieved its operational and financial plans, and explain significant differences between actual and planned results.	**Partially Implemented** (as at March 31, 2010).

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[8] For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.
[9] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.