

## Chapter 32

# University of Regina – Procurement and Disposal Audits

### 1.0 MAIN POINTS

The University of Regina (University) has spent over \$40 million each year to acquire goods and services including capital asset purchases during the last few years. The University expects this amount to increase given its planned changes to the University's infrastructure over the next few years. Acquiring, and later disposing of, goods and services including capital assets is complex and has increased risk because the process involves many people across the University, trade agreements, and multiple external parties. To manage its risks, the University requires effective processes to ensure that goods and services are procured and assets are disposed of with due regard for obtaining the best value for the University while meeting its needs in a way that is fair and transparent.

We examined the effectiveness of the University's processes for the procurement of goods and services, and for the disposal of surplus assets (e.g., computers, equipment). The University fully participated in the development of the objectives and criteria for these audits. The results of these audits should assist the University with its ongoing review of its administrative policies and procedures.

We concluded that for the twelve-month period ended June 30, 2013, the University of Regina had effective processes for the procurement of goods and services and for the disposal of surplus assets, except it needs to:

- Regularly review, update, approve, and enforce its procurement and disposal policies
- Require sufficient reporting to the Board of Governors about procurement and disposal activities
- Require, in policy, adequate approval and justification for single and sole source procurement decisions, including the mitigation of conflicts of interest and conflicts of commitment
- Retain documentation of its analysis and decisions for awarding tenders
- Coordinate departments that procure goods and services to efficiently manage procurement in accordance with University policies
- Improve its procurement and disposal contract requirements
- Ensure computer assets are properly decommissioned before disposal

In this chapter, we describe the key findings for our audits and make 18 recommendations to the University.



## 2.0 INTRODUCTION

The University was established pursuant to *The University of Regina Act (Act)* as a non-profit educational organization. It provides post-secondary education and research. For the year ending April 30, 2013, the University spent approximately \$18 million on operational supplies and expenses (2012 - \$18 million), about \$11 million on equipment, rental, maintenance, and renovations (2012 - \$13 million), and approximately \$15 million on capital asset purchases (2012 - \$16 million).<sup>1</sup>

The amount of surplus assets that the University disposes of each year varies significantly depending on the condition and age of assets. For the twelve-month period ended June 30, 2013, it disposed of about 940 items for total proceeds of about \$24,000.

We performed two audits of related processes at the University. We audited whether the University had effective processes for the procurement of goods and services (see **Sections 4.0** and **5.0**). We also audited whether the University had effective processes for the disposal of assets (see **Sections 6.0** and **7.0**).

## 3.0 BACKGROUND—PROCUREMENT AND DISPOSAL

Responsibilities for procurement of goods and services are distributed across the University through its use of purchasing cards (i.e., University credit cards) and the involvement of end users of goods and services in the procurement and disposal processes. The University supports 200 programs and more than 13,000 students through its 10 faculties and 25 academic departments,<sup>2</sup> and employs about 3,000 people.<sup>3</sup>

Staff throughout the University use purchasing cards to make frequent, low cost purchases. At June 30, 2013, University staff held 403 purchasing cards with monthly credit limits ranging from \$4,000 to \$40,000. For the twelve-month period ended June 30, 2013, about \$6.6 million of University purchases were made through purchasing cards.

The responsibility for procurement of goods and services is shared primarily between two departments of the University: Supply Management Services (SMS) and Facilities Management (FM). Both areas are the responsibility of the Vice-President (Administration).

- 】 SMS is responsible for the procurement of goods and services for the University with certain exceptions. These exceptions include utilities, investment services, personnel services (e.g., benefits, wages, and salary administration), library book acquisitions, bookstore retail activities, and contracts managed by FM.
- 】 SMS is responsible for the disposal of assets through a monthly public salvage posting process that allows individuals to bid and subsequently purchase assets for disposal.

<sup>1</sup> University of Regina, Audited Financial Statements for the Year Ended April 30, 2013.

<sup>2</sup> For the purposes of this report, we refer to faculties and departments collectively as departments.

<sup>3</sup> University of Regina, *Annual Report 2012-13*, p. 3.

- 】 FM is responsible for contracts for construction and for alteration and renovation of buildings and structures, including the planning and design phases of these projects.
- 】 SMS and FM are jointly responsible where there is a mix of fixed (permanent) structural requirements and non-fixed structural requirements (e.g., office furniture, research equipment). In such cases, FM is responsible for the fixed or permanent structural requirements, while SMS is responsible for the non-fixed structural requirements. SMS and FM are required to work collaboratively to provide the optimum solution for the end user.

Risks of inappropriate and unsupported purchases and disposals increase where many University departments and individuals are involved in purchasing and disposal processes. To manage its risks, the University requires effective processes to ensure that goods and services are procured and assets are disposed of with due regard for obtaining the best value for the University while meeting its needs in a way that is fair and transparent.

## 4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION— PROCUREMENT

The objective of this audit was to assess whether the University of Regina had effective processes for the twelve-month period ended June 30, 2013 for the procurement of goods and services.

For the purposes of this audit, goods and services included items procured by SMS and FM, including items that were capital in nature (e.g., construction of new buildings) and excluding library book acquisitions, bookstore retail activity processes, utilities, investment services, and personnel services.<sup>4</sup>

We examined the University of Regina's policies and procedures that relate to the procurement of goods and services. We examined project files, tendered procurement files, single and sole source<sup>5</sup> procurement files, purchasing card statements, and expense accounts. We interviewed University staff with key responsibilities for procurement. We used knowledge obtained from our annual audit of the University's rules and procedures to safeguard its public resources and from our 2013 audit of processes to protect the University's interests as it fosters research and commercialization of research.<sup>6</sup>

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate the University of Regina's processes, we used criteria based on our related work and reviews of literature including reports of other auditors. Management and our Office worked together to develop the criteria and agreed that the criteria were appropriate (see **Figure 1**).

<sup>4</sup> The original scope of this audit included University procurement processes related to the International Performance Assessment Centre for the Geographic Storage of Carbon Dioxide (IPAC-CO2) activities. We adjusted our scope to exclude these activities when our Office became aware of the RCMP investigation into this area. MNP LLP, in its September 2011 report, set out the results of its investigation into concerns regarding conflict of interest and contracts at the University in regard to IPAC-CO2. CBC publicly released this report in February 2013.

<sup>5</sup> Sole source is where there is only one possible vendor. Single source is the use of one of multiple possible vendors without tendering.

<sup>6</sup> Protecting the University of Regina's Research. 2013 Report – Volume 1, Chapter 15.



**Figure 1 – Audit Criteria for Procurement of Goods and Services**

To have effective processes for procurement of goods and services, the University of Regina should:

- 1. Set policies for procurement of goods and services**
  - 1.1 Develop and approve policies for procurement of goods and services
  - 1.2 Align policies with externally-imposed requirements (e.g., funding agencies)
  - 1.3 Update policies periodically
  - 1.4 Communicate policies for procurement
  - 1.5 Monitor and report on compliance with policies
- 2. Define the need for goods and services**
  - 2.1 Identify the goods or services needed in sufficient detail
  - 2.2 Define the specifications to encourage open competition
  - 2.3 Use specifications that support the University's policies
  - 2.4 Identify feasible sources of goods and services
- 3. Determine the procurement method**
  - 3.1 Evaluate alternative procurement methods
  - 3.2 Select method for procurement
  - 3.3 Establish process to modify existing contracts
- 4. If sole sourcing goods and services, justify decision (i.e., only one possible vendor)**
  - 4.1 Document justification for decision to sole source
  - 4.2 Approve decision to sole source
  - 4.3 Obtain written contractual agreements
- 5. If single sourcing goods and services, justify decision (i.e., use one of multiple possible vendors without tendering)**
  - 5.1 Document justification for decision to single source
  - 5.2 Approve decision to single source
  - 5.3 Obtain written contractual agreements
- 6. Obtain quotations if tendering goods and services**
  - 6.1 Obtain appropriate authorization to initiate proposals
  - 6.2 Establish criteria for evaluating tenders
  - 6.3 Communicate procurement process to potential vendors
- 7. Select vendors for tendered goods and services**
  - 7.1 Evaluate all proposals for goods and services in accordance with established criteria
  - 7.2 Document decision for vendor selection
  - 7.3 Obtain appropriate approval for vendor selection
  - 7.4 Inform bidders of decisions
  - 7.5 Obtain written contractual agreements
- 8. Manage Vendors**
  - 8.1 Validate vendors
  - 8.2 Pay vendors in accordance with written contracts
  - 8.3 Report on performance of vendors periodically
  - 8.4 Use vendor performance information for future decision making

**We concluded that for the twelve-month period ended June 30, 2013, the University of Regina had effective processes for the procurement of goods and services except it needs to:**

- › Regularly review, update, approve, and enforce its policies related to the procurement of goods and services**
- › Require, in policy, adequate approval and justification for single and sole source procurement decisions, including the mitigation of conflicts of interest and conflicts of commitment**
- › Require sufficient reporting to the Board of Governors about procurement activities**
- › Retain documentation of its analysis and decisions for awarding tenders**
- › Improve its procurement contract requirements**

- › Coordinate departments that procure goods and services, including construction, to efficiently manage procurement in accordance with University policies

## 5.0 KEY FINDINGS AND RECOMMENDATIONS—PROCUREMENT

In this section, we set out the criteria (expectations) and our key findings along with related recommendations for procurement.

### 5.1 Set Policies for Procurement of Goods and Services

#### 5.1.1 Procurement Policies Require Board Approval

We expected the University's procurement policies to be appropriately approved.

The University has developed a policy framework (i.e., Policy Governance) that specifies the characteristics of policies and who is authorized to approve policies (e.g., Board of Governors, Executive). The Board of Governors policy framework outlines that policies of significant importance to the University as a whole and policies that address significant risks (e.g., financial, legal, reputational) must be approved by the Board of Governors. The policy framework requires policies to be updated at least every three to five years, and specifies that if a policy has not been reviewed or updated in five years, it is no longer in effect.

The University has numerous policies that pertain to the procurement of goods and services. These policies fall within the University's policy framework. The policies include topics such as purchasing, construction tendering, general tendering, purchasing card program, general travel, and travel cards. The policies document who approved the policy, the date approved, and the dates the policy was updated.

However, the Board of Governors did not approve any procurement policies, except the Construction Tendering Policy. Rather the Vice President (Administration) usually approved these policies. We found this approval inconsistent with the University's policy framework that requires policies of significant importance to the entire University to be approved by the Board of Governors. Non-compliance with procurement policies can present significant financial, legal, and reputational risks to the University.

1. **We recommend that the Board of Governors of the University of Regina approve the University's policies related to the procurement of goods and services.**



## 5.1.2 Policies are Aligned with Externally-Imposed Requirements

We expected the University to align its procurement policies with externally-imposed requirements for purchasing. Externally-imposed requirements vary, and are usually imposed by a funder (e.g., donor, government, research funding agency). Most research funding agencies require the University to follow its usual tendering and purchasing policies and procedures. The University has recently updated its policies to ensure that they align with externally-imposed requirements for purchasing.

## 5.1.3 Periodic Updates to Policies Needed

To keep policies relevant, we expected the University to require regular reviews of its policies and document the timing of updates.

As noted in **Section 5.1.1**, the policy framework requires policies to be updated at least every five years to remain valid. Policies note the dates they were updated.

We found that the procurement policies were not updated consistently with the policy framework, and the last update of some policies was more than five years ago. For example, the Construction Tendering and BMO Mastercard Corporation Travel Card policies were last updated about eleven and six years ago, respectively. Also, the Sign Authorization (Signing Authorization) Policy, which sets the approval levels for procurement was last updated about seven years ago. In addition, the procurement policies were not updated to reflect changes to purchasing requirements that the University has made in the last five years. For example, as described in **Section 5.5.1**, the Board of Governors changed some signing authority limits for authorizing capital projects, but these were not documented in the Signing Authorization Policy.

The University's procurement policies were not updated to document the impact of the New West Partnership Trade Agreement which the University decided to comply with effective July 1, 2012. This is an agreement between the Governments of British Columbia, Alberta, and Saskatchewan that requires goods and services over \$75,000 and construction projects over \$200,000 to be tendered within the three provinces.

Furthermore, the University's procurement policies also need to be updated to address documentation requirements surrounding entertainment expenses (e.g., meals) incurred by staff. The University requires a purchasing cardholder's direct supervisor to review the detailed receipts, and approve the purchasing card expenses. We found that while monthly purchasing card statements were approved by the cardholders' supervisors, about 20% of the monthly statements we examined were missing appropriate documentation to support at least one purchase on the statement (i.e., either no receipt was attached or the receipt attached did not provide details about what was purchased). The items that did not have detailed receipts were often for entertainment expenses and did not document the business purpose for the entertainment and those in attendance. The policy should require a detailed receipt and adequate documentation of the business purpose for the expense so the University can determine if the expense was appropriate.

If policies are not complete and up-to-date, staff may not know the current procurement requirements so that they can comply with these requirements.

**2. We recommend that the Board of Governors of the University of Regina comply with its policy framework by regularly reviewing and updating the University's procurement policies.**

During the audit, we observed that the University was in the process of reviewing and updating its administrative policies, including its procurement policies.

#### 5.1.4 Policies for Procurement Adequately Communicated

Policies are only effective if staff are aware of them and follow them. We expected the University to communicate its procurement policies to its staff.

The University's website includes all of the University's policies. SMS also uses additional processes to educate staff about the University's procurement processes. SMS posts procedural documents on its website to further explain how to purchase goods or services. Staff orientation sessions include information about the University's procurement processes. SMS emails staff to inform them about updates to procurement policies. SMS also provides presentations to University departments to inform staff about procurement processes.

However, as noted in **Section 5.1.3**, not all procurement policies were kept up to date. Staff need up-to-date policies so that they are aware of and understand current requirements.

Enforcement of policies also assists with communication by reinforcing the policies while working with the staff members to correct and prevent further non-compliance issues. We discuss the University's processes to monitor compliance with policies in **Section 5.1.5**.

#### 5.1.5 Policies for Monitoring and Reporting Compliance Needed

We expected the University to document its processes for detecting and addressing non-compliance with policy, and then define reporting requirements to ensure Executive and the Board of Governors are informed of any significant issues. These policies would also set out key processes for identifying and reporting to Executive and the Board of Governors other significant performance issues in the procurement processes. Reporting should consider the various types of purchasing methods (e.g., purchasing cards, tendering, single or sole source).

The University had various controls to help identify non-compliance with policy. For example, Financial Services staff verify purchasing card expenses each month to determine compliance with the Purchasing Card Program Policy. Financial Services staff follow up deviations, if any, with the cardholder. The University may suspend or cancel purchasing cards if staff do not comply with policy. However, we found various examples of non-compliance with the University's policies, as described throughout this chapter, supporting that further controls are required. The University also has not communicated in policy the expectation for staff to bring forward compliance concerns



identified during their daily work to help the University identify non-compliance with policies.

The University has an Internal Audit Policy, and the Board of Governors approved the creation of an internal auditor position in May 2013. Implementation of its internal audit function will help improve the University's processes to identify and address non-compliance with policies.

We found that the University had not adequately documented the process for responding to identified non-compliance with procurement policies, including when to report these issues to Executive and the Board of Governors. Without a well-defined process, staff may not have adequate guidance regarding the steps they should take to address non-compliance in a timely manner, including informing the right individuals, stopping or reducing the non-compliant activity, and preventing future non-compliance.

For example, during the past ten years, the University has spent several million dollars pursuing the continued research and commercialization of certain intellectual property (i.e., patents). Initially, the University financed these activities (including patent agent and legal costs of maintaining patents) with research funding. Later, the University was not able to secure sufficient funding to pay for all the expenses incurred. University policy restricts research spending based on approved funding for the research. In mid-2010, University staff who monitor this research spending identified concerns with the lack of sufficient funding to finance these activities. The concern was escalated over the following months until it was reported to Executive.

In early 2012, the University identified and allocated funds it managed that were donated by another partner for this type of research to cover the unfunded expenses. The University has obtained legal advice to ensure that its use of the donated funds for this purpose was compliant with the terms of the donation. Having well-defined reporting processes may have helped the University address these concerns earlier. The University's Executive and Board of Governors need regular reports to help them identify and address non-compliance with procurement policies in a timely way.

**3. We recommend that the University of Regina implement policies and procedures to identify and address non-compliance with procurement policies.**

As required by policy, FM reports to the Board of Governors regularly regarding the status of fixed or permanent structural projects. These reports provide information about actual and projected expenses compared to budget, including reasons for any differences from the budget. There are no requirements in policy for SMS to report about goods or services to Executive or the Board of Governors. While we saw examples where issues were brought to the attention of the University's Executive and Board of Governors, regular reports were not received about items that were single or sole sourced, vendor performance, or compliance with procurement policies.

Regular reporting to Executive and the Board of Governors helps to ensure that informed decisions and effective oversight occur. Well-defined, regular reporting about

all key operational areas of the University is essential to proper stewardship and management of its financial, legal, and reputational risks.

4. We recommend that the Board of Governors of the University of Regina define its reporting needs regarding procurement activities including non-compliance with procurement policies.

## 5.2 Identification of Feasible Sources Required When Defining the Need for Goods and Services

### 5.2.1 Need for Goods and Services Identified

We expected that the University would define the need for goods or services required by the University in sufficient detail to encourage open competition.

The University identifies its capital needs in its annual budget approved by the Board of Governors. The budget identifies funding for sustaining capital (i.e., to maintain and adapt existing infrastructure) and major capital (i.e., new infrastructure). The University considers the overall space the University has, the University's needs, and the strategy set out in the Campus Master Plan when preparing its capital budget.<sup>7</sup> Changes in University programs and activities or identification of additional capital maintenance issues may result in the identification of additional capital projects after approval of the budget. These changes are approved as described in **Section 5.5.1**.

For approved capital projects, FM develops a project team that discusses the project scope, requirements, and costs. FM assigns a Project Manager to lead each project team in the design, tender, and completion of the project, including hiring any required consultants or contractors. FM allocates the funds based on the approved budget to individual projects and tracks expenditures of the projects. The Board of Governors receives regular updates about the funds FM manages, with additional detail about projects over \$500,000.

For SMS, the request for the purchase of non-capital goods or services (i.e., non-fixed structural requirements) starts with staff in a department identifying the requirements for goods and services they need. The University's processes require staff to contact SMS about their purchasing needs for goods or services more than \$3,500. SMS provides advice about cost efficiencies, alternatives, policies, and helps determine the best process to purchase the goods or services.

In addition, some University staff are eligible for expense accounts that can be used for expenditures related to teaching, research, professional activities, and general University activities (e.g., professional fees, travel, computers). Financial Services administers these expense accounts (called Accountable Professional Expense Accounts) in accordance with collective bargaining agreements and University policies. According to University policy, staff pay for these purchases personally and then submit a claim to the

<sup>7</sup> The Campus Master Plan is a strategic review of the University's buildings and natural environment and a long-term vision of the University campus. Source: University of Regina 2011 Campus Master Plan.



University for reimbursement, or pay for the expense on their University purchasing card.

We found that for nearly 10% of the transactions tested, the University paid vendors directly for invoices that related to expense accounts. As described above, the University's policy does not allow the direct payment of invoices that are coded to staff expense accounts. We found that nearly all of the examined invoices paid directly were not appropriately approved by the staff's supervisors (e.g., we found some staff approved their own or their supervisors' expenses). As discussed in **Section 5.1.5**, the University needs to implement processes to enforce compliance with policies.

### 5.2.2 Specifications to Encourage Open Competition Defined

We expected the University to have processes to define the specifications for needed goods or services to encourage open competition. As described in **Section 5.2.1**, FM and SMS have processes to collaborate with University staff to define specifications for the University's procurement needs. In the tendered items we examined, we found that the criteria used in each tender or quote provided sufficient information to allow vendors to bid or provide quotes for the tenders. The specifications for the tenders that we examined were sufficiently detailed to include all important requirements (e.g., warranty, delivery, maintenance).

### 5.2.3 Specifications Used that Support the University's Policies

We expected the University to establish processes for setting specifications for goods and services that would support the University's policies. The University uses templates for its requests for proposals, quotes, and tenders. In the items we examined, the specifications used complied with the University's procurement policies.

### 5.2.4 Insufficient Identification of Feasible Sources of Goods and Services

We expected that the University would identify feasible sources of goods and services to meet its identified needs in a way that is fair and transparent.

In **Section 5.4.1**, we describe concerns with single or sole source contracts. If the University does not adequately assess the need to single or sole source a good or service, it may not identify all feasible sources for the good or service, which may result in higher prices or unfair procurement processes.

When SMS uses a tender process to identify feasible sources of the goods or services, it requires vendors to be pre-qualified. The pre-qualification process allows SMS to assess if the vendor will have the capacity to provide goods or services the University may need, and whether the vendor fits with the University's core values. SMS identifies pre-qualified vendors who may be able to supply the needed goods or services based on its knowledge of the industry or through researching vendors, and sends tenders directly to them.

The University's Construction Tendering Policy sets out the process for FM to determine the potential vendors for a tender (e.g., through national or local construction association offices). If the project is greater than \$100,000, FM publicly tenders the contract. As part of the tender, FM will typically hold an information meeting with interested vendors to further discuss the project. Vendors must be in attendance at this meeting (in person or via teleconference) in order to bid on the project. This meeting allows vendors to ask for clarification, while ensuring that all vendors receive the same information. For smaller projects (i.e., less than \$100,000), FM selects vendors to be pre-qualified contractors using requests for quotes through the Regina Construction Association. FM then obtains quotes for any smaller projects from its pre-qualified contractors.

In the tendered items we examined, tenders were communicated to potential vendors following the University's processes and multiple vendors had bid on each tender, which supports that SMS and FM had identified feasible sources of goods and services.

The University allows staff to make small dollar purchases of goods and services using purchasing cards. We expected the University to establish authorization controls around the use of its purchasing cards. The purchases that staff are allowed to make using their purchasing cards are outlined in the Purchasing Card Program Policy. The policy limits the maximum amount per transaction and per month that can be set for any purchasing card, except for rare authorized exceptions. An approval form documents purchasing card limits and is signed by the cardholder, the department head or dean, and a purchasing card administrator. The University uses the pre-set transaction and monthly limits to prevent staff from making large purchases that would not comply with the tendering policies. The approval forms are then stored in SMS. We found that 6% of the approval forms retained by SMS were not signed by either the department head or dean, or a purchasing card administrator. If the approval form is not signed, the limits for the purchasing card may not be appropriate.

**5. We recommend that the University of Regina follow its policy requiring appropriate approval for the issuance of all purchasing cards.**

Before staff are issued purchasing cards, they are required to take training on the related policies. Monthly, staff must reconcile their purchasing card statements to supporting receipts. Their supervisors are required to review the purchasing card receipts and approve the statements. We found that support for the expenses was usually attached and supervisors approved the monthly statements, except as described in **Section 5.1.3**.

The University's policy prohibits using purchasing cards for items such as personal purchases, split purchases,<sup>8</sup> hazardous materials, and contracted goods and services.<sup>9</sup> In our testing of purchasing cards, we found that 13% of the monthly statements contained at least one payment for contracted goods and services (e.g., bulk office supplies, website design), which may increase risk for the University. As recommended

<sup>8</sup>Splitting a single purchase into multiple transactions to circumvent the transaction limit.

<sup>9</sup>The University prepares a contract with a vendor when it is purchasing a good or service over a period of time, or where the purchase may pose a liability risk to the University.



in **Section 5.1.5**, the University needs processes to enforce compliance with its procurement policies.

We also found that staff in one administrative unit used purchasing cards to pay for legal services several times. While paying for legal or other professional services is not specifically prohibited by the Purchasing Card Program Policy, such services can be sensitive and significant. Prohibiting the payment of legal or other professional services using purchasing cards would allow University management to better control services obtained.

**6. We recommend that the University of Regina update its Purchasing Card Program Policy to prohibit the payment by purchasing card for legal or other professional services.**

## 5.3 Appropriate Procurement Method Needs to be Determined

### 5.3.1 Alternative Procurement Methods Evaluated

We expected that the University would have processes to evaluate alternative procurement methods for purchases of goods and services to help it determine the appropriate procurement method.

The University's policies allow the purchase of non-capital goods and services through various procurement methods. The University's policy sets the required procurement method based on the size of the purchase and the requirements of external agreements (see **Figure 2**). Also, as described in **Section 5.1.3**, the New West Partnership Trade Agreement applies to purchases of goods and services greater than \$75,000, although this is not yet documented in policy.

**Figure 2—Purchase Method for Goods and Services Based on Size of Purchase**

Size of Purchase/ Value of Contract (\$)	Purchase Method Required
Less than \$3,500	Most purchases can be made with purchasing cards
\$3,500 but less than \$10,000	Minimum of two quotes
\$10,000 but less than \$50,000	Tender – with receipt of at least two formal bids
\$50,000 and above	Tender – with receipt of at least three formal bids
Greater than \$100,000	Tendering method must comply with requirements of the Agreement on Internal Trade*

Source: University of Regina Policy – Tendering (Competitive Bidding Process)

\* The Agreement on Internal Trade is an agreement among the provinces, territories, and the federal government that aims to reduce barriers to the movement of persons, goods, services, and investments within Canada, provides general rules which prevent governments from initiating new trade barriers, and requires the reduction of existing barriers. The University is not subject to the agreement, but has documented its decision to follow this agreement in its procurement policies.

In **Section 5.2.4**, we explain that if a capital project is greater than \$100,000, FM publicly tenders the contract. For projects less than \$100,000, FM may obtain quotes from its pre-qualified contractors. For construction contracts valued at more than

\$250,000, the University's policy also requires the tendering method to comply with the Agreement on Internal Trade. Also, as described in **Section 5.1.3**, the New West Partnership Trade Agreement applies to construction contracts over \$200,000, although this is also not yet documented in policy.

We examined procurement card, tendered, single, and sole source transactions. All of the items that were tendered followed the tendering method required by policy. Improved evaluation of the procurement method is needed for procurement card and single and sole transactions as discussed in **Section 5.3.2**.

### 5.3.2 Inappropriate Procurement Method Used

We expected the University to follow its procurement policies when selecting methods to procure goods or services.

In **Section 5.4.1**, we describe concerns with single or sole source contracts. Without adequate justification and approval for decisions to single or sole source goods or services, the University cannot demonstrate that the appropriate procurement method was used.

As described in **Section 5.2.4**, we found that staff had made purchases using purchasing cards where this was not the appropriate method to acquire the good or service.

### 5.3.3 Policy to Modify Existing Contracts Needed

We expected the University to have a process to modify existing contracts to address changes in user requirements. For minor modifications, SMS changed the contract as required. SMS advised that for significant changes new contracts are created as a result of a tender process. FM used change orders when amendments were required to the terms and conditions of a FM project. Although the University has processes to modify existing contracts, these processes are not documented in policy. In **Section 5.1.3**, we describe that the University needs to review and update its procurement policies, which could address this documentation issue.

## 5.4 Proper Support Needed for Decisions to Single or Sole Source Purchases

### 5.4.1 Justification for Single or Sole Sourcing Needs to be Documented

We expected the University to only permit single or sole sourcing in circumstances where tendering was not feasible. When single or sole sourcing, the justification for this decision needs to be clearly documented and appropriately approved. This justification may be in policy for certain types of recurring expenses (e.g., utilities), while in other cases the justification may be unique to a specific contract and needs to be documented specifically.



The University allows, in specified circumstances, the untendered purchase of goods and services that would otherwise be tendered. This practice is called sole sourcing or single sourcing. The procurement policies identify the criteria that must be met in order to single or sole source a good or service. The University follows a common process for single or sole sourcing.

We estimate that the University used single or sole sourcing for about 20% of its purchases. We found that for about 28% of single or sole source items that we examined, the University contracted with companies or individuals without documenting reasonable justification for use of single or sole source contracts.

We also found that a company was single sourced to complete a low dollar contract a few years ago and then subsequently contracted for the next phases of the project, resulting in six single sourced contracts and two amendments for a total cost of approximately \$180,000. While management was able to explain its justification for using a single source for these contracts, this explanation was not adequately documented in the purchasing files. Without adequate justification and approval for decisions to single or sole source a good or service, the University cannot demonstrate that the purchases should not have been tendered.

In early 2013, SMS improved its single and sole source procurement processes by implementing the Competitive Bid Procedure Exception Request Form. This form must include appropriate justification for not tendering the purchase and is signed by the person responsible for that budget and approved by the Director of SMS before the purchase takes place. However, the form does not require the requestor's supervisor or other appropriate signing authority (e.g., Vice-President) to approve the decision to single or sole source before the form is provided to SMS to verify the need to single or sole source the purchase.

The form also does not require documentation of possible conflicts of interest between vendors and University staff, if any. We found examples where companies owned or related to University staff were contracted without tendering to conduct work for the University. There was no documentation declaring a conflict of interest with the University and inadequate documentation to justify these single or sole source decisions. Without adequate review of the decision by an individual who is independent and knowledgeable about the project, it is difficult to determine if a single or sole source purchase was necessary and if the University received the best value possible.

**7. We recommend that the University of Regina follow its procurement policies to tender or obtain quotes for procurement of goods and services where required.**

- 8. We recommend that the University of Regina require, as part of its procurement policies for single or sole sourcing the procurement of goods and services:**
- › **Adequate documentation to justify the decision to single or sole source**
  - › **An appropriate authority to approve the decision to single or sole source**
  - › **The identification and mitigation of conflicts of interest and conflicts of commitment**

We also noted that the \$180,000 single source project described earlier involved several smaller single source contracts with the same vendor. Converting the project into several stages with smaller contracts without justification provides the opportunity to circumvent the procurement process. Contracting a small portion of a project using a single source provides a vendor with an advantage when the remainder of the project is tendered. The implications for the whole project should be considered and documented when procuring the first stage to help ensure that the contracting process for all stages is fair and results in the best value for the University.

- 9. We recommend that the University of Regina make procurement decisions based on consideration of the entire project including the impact of using multiple contracts to manage the same vendor for the same project.**

In addition, SMS and FM each managed some of the contracts for this \$180,000 single source project, which led to increased risk in the management of the contracts because neither department had all of the details to manage the entire project. The project clearly fell within the mandate of one of these departments, so all of the contracts should have been managed by that department. The University needs to ensure its structure for procuring goods and services is appropriate and understood by all staff so that proper coordination occurs between SMS and FM. An effective structure will help ensure the optimum solution is provided and risks to the University are appropriately reduced.

- 10. We recommend that the University of Regina implement a process to coordinate the departments that procure goods and services, including construction, to efficiently manage procurement in accordance with the University's policies.**

## **5.4.2 Decisions to Single or Sole Source not Appropriately Approved**

As described in **Section 5.4.1**, we expected that the decision to single or sole source would be appropriately approved. However, as previously noted, the Competitive Bid



Procedure Exception Request Form does not require the approval of the requestor's supervisor. Without this review by an individual who is independent and knowledgeable about the project, it is difficult to determine if a single or sole source purchase was necessary and if the University received the best value.

### 5.4.3 Written Contractual Agreements Need Improvement

We expected that the University would document the contractual agreements with its vendors in writing. The contracts should reflect the identified needs of the University and outline the obligations of each party to the contract.

We reviewed a variety of written contracts between the University and its vendors. The University used different types of contracts depending on who it was contracting with, the type of services or goods provided, and the value of the contract. The level of detail in the contracts and the templates varied significantly. While many of the contracts we reviewed were sufficient, we found FM purchases for consulting services used a standard contract that did not include all of the expected terms and conditions. The level of documentation for this standard contract was minimal, omitting clauses that existed in other contracts that would add certainty and protection for the University (e.g., termination, privacy, confidentiality, severability).

**11. We recommend that the University of Regina establish sufficient contract documentation requirements for the procurement of goods and services.**

## 5.5 Proper Approvals Needed Before Obtaining Quotations for Tendering Goods and Services

### 5.5.1 Review and Documentation of Signing Authorities Needed

We expected the University to receive the appropriate authorization before initiating proposals for the procurement of goods or services.

In the items we tested, we found that proposals (e.g., tenders, purchase requisitions, purchase orders) were approved by appropriate staff in SMS or FM and the requesting department prior to obtaining quotations. However, as described below, the University needs to improve documentation of its authorization limits for approving contracts, invoices, and payments.

The University's Signing Authorization Policy (approved by the Vice-President [Administration]) documents the University's delegations of authority for the approval of contracts, payments, and other financial matters. The University based its requirements for approvals of capital projects (i.e., with fixed structural requirements) on the overall size of the project and the requirements of external agreements and University legislation. As required by law, capital projects over \$100,000 require approval of the Minister of Advanced Education and over \$500,000 also require Cabinet approval

through an Order in Council.<sup>10</sup> For capital contracts valued at more than \$250,000, the University's policy also requires the tendering method to comply with the Agreement on Internal Trade. Also, as described in **Section 5.1.3**, the New West Partnership Trade Agreement applies to construction contracts over \$200,000, although this is not yet documented in policy.

The policy delegates to the Associate Vice-President (Facilities Management) the authority to authorize any contract, regardless of dollar value, within the annually approved capital budget and in compliance with purchasing and tendering policies. Outside of this approved budget, the policy sets the approval levels for projects as shown in **Figure 3**.

**Figure 3—Required Capital Project Approvals**

Approval level	Position
Up to \$50,000	Associate Vice-President (Facilities Management)
Up to \$100,000	President
Over \$100,000	Board of Governors

Source: University of Regina – Sign Authorization Policy

In December 2010, the Board of Governors changed the approval limits to \$250,000 for the President and greater than \$250,000 for the Board of Governors, but the Policy was not formally updated to reflect this change.

Also, the policy:

- 】 Delegates the authority to sign most other purchase orders and contracts for procurement of goods and services to SMS. In practice, contracts prepared by SMS are generally signed by both SMS and the requesting department's authorized signer, as well as the vendor.
- 】 Describes signing authorities where a financial manager<sup>11</sup> is delegated the authority to spend the funds in a University financial account.<sup>12</sup> The policy does not specify who will approve the financial manager for each financial account.
- 】 Allows the financial manager to authorize and set approval limits for additional staff who can also approve payments for that financial account.
- 】 States that no dollar limit applies as long as the amount is within the signing authority's funds available and the purchase is in accordance with the procurement policies.

While spending is restricted to a budget, virtually unlimited authority in the financial system increases the risk that inappropriate payments may occur intentionally or by error before they are detected. A review of the signing authorities could reduce authorization limits to those required to complete assigned work and ensure an appropriate separation of duties.

<sup>10</sup> *The University of Regina Act*, S. 67 and 67.1.

<sup>11</sup> A financial manager is the official signing authority responsible for a University financial account (e.g., director of a department).

<sup>12</sup> A financial account is an account in the financial system, not a bank account.



The University uses its financial system to operationalize these signing authorities. The University assigned a list of authorized administrators who can set the access and signing authorities (i.e., system authority) for other University staff in their departments. The University's processes do not allow staff to approve their own system authority within the financial system.

We found that there are several administrators who can approve system authority for individuals they report to. The University should establish administrators so that appropriate staff are approving the system authority for each financial account, and to ensure staff are not approving their supervisors' system authorities.

We found some financial accounts did not have a financial manager assigned in the financial system and some contracts were approved by department heads who had not been assigned system authority. SMS advised that it does not use the financial system to verify signing authority, but relies upon its knowledge of the University's structure and the staff's title to assess authority.

The University needs to review, and then maintain, its documentation of signing authorities to ensure it is complete and accurate. SMS should then use the financial system as its definitive source for verifying appropriate approvals for purchases.

**12. We recommend that the Board of Governors of the University of Regina establish and document an appropriate signing authority policy for use when approving contracts, invoices, and payments to ensure the proper separation of duties.**

## 5.5.2 Criteria for Evaluating Tenders Established

We expected the University to establish criteria for evaluating tenders. The University receives bids on tenders in either electronic or paper form. The standard tendering time is dependent on the criteria and complexity of the tender. The Tendering Policy identifies tender submission selection criteria, which are also considered in determining the successful vendor for each tender. The University does not utilize standard evaluation criteria for tenders, but rather leverages the expertise of SMS consultants and FM project managers. These experts work with staff in the requesting department to determine the scoring criteria for each tender to obtain the best value. We found that the University developed criteria for each tender that it planned to use to evaluate the bids received.

## 5.5.3 Adequate Communication of Procurement Process to Potential Vendors

We expected the University to communicate its procurement process to potential vendors. The University communicates with vendors through the issuance of the tender documents. The University provides the same information to all potential bidders throughout the tendering process. For example, if one potential bidder asks a question about the tender, all potential bidders are provided with the vendor's question and the subsequent answer. As described in **Section 5.2.4**, the University may hold information

meetings with all potential vendors for construction projects, which allows vendors to ask questions to clarify requirements.

## 5.6 Support for Vendor Selection for Tendered Goods and Services Needed

### 5.6.1 Documented Evaluation of Proposals Needed

We expected the University to use its established criteria to evaluate bids for goods and services in order to ensure the fair and equitable treatment of potential vendors.

Except for the items noted below, we found that the files we tested contained appropriate documentation to support that the University used the criteria it established to evaluate the bids.

When reviewing the various tenders for several requests for proposals related to a FM project worth over \$70 million, we found that no documentation existed for the analysis and selection of the vendors (e.g., construction manager,<sup>13</sup> architect, structural engineer). FM staff advised us that evaluation criteria were used to determine the vendors for the project, but that these documents were not retained after awarding the tenders to the successful vendors. Therefore, we were unable to verify that evaluation criteria were used and the appropriate vendors were selected.

For several items in SMS, we found that support for tender decisions was not retained in the central purchasing files, although SMS staff was able to provide support when requested. Central maintenance of the tender documentation ensures information is readily available when needed, including during times of staff turnover.

**13. We recommend that the University of Regina document, in writing, its analysis and decisions for the awarding of all tenders and retain this documentation in accordance with its document retention policies.**

### 5.6.2 Documentation to Support Vendor Selection Needed

We expected that the University would document its support for vendor selection using its analysis of the bids received compared to its established criteria and retain this documentation in accordance with its document retention policies. We describe in **Section 5.6.1** that the University needs to document its analysis and decisions for the awarding of all tenders and retain the related documentation. We found that for several items, the University did not adequately retain the documentation to support vendor selection.

<sup>13</sup> The construction manager usually accounts for a significant portion of the project expenses because it also arranges for and manages the sub-contractors for the project (e.g., plumbers, electricians).



### 5.6.3 Approval for Vendor Selection Obtained

We expected the University to document the approval from the requesting department or FM project team for the vendor selected prior to communicating with the vendors. For the items tested, we found appropriate approval for the vendor selected was documented prior to communicating with vendors except for the one FM project described in **Section 5.6.1**, where we were unable to verify approval occurred before University staff informed the vendors because the University did not retain the documentation. However, contracts were signed as required by policy.

### 5.6.4 Bidders Informed of Decisions

We expected the University to inform all bidders on a tender whether they were the successful bidder within a reasonable timeframe, and to solicit feedback from unsuccessful bidders.

The University informed bidders about the vendor selected using letters, emails, and communicating in person. We found that the communication to the unsuccessful bidders informed them that they could contact the University if they wanted more information about the outcome of the tender. The communication with vendors regarding the tender results was generally timely. For the FM project described in **Section 5.6.1**, we could not verify the timeliness because the University did not document its communications.

### 5.6.5 Written Contractual Agreements Need Improvement

We expected the University to complete written contractual agreements for its purchases in a timely manner. Contracts must also be signed by the appropriate University staff and the other organization's representative, and be centrally managed.

The University prepares a contract with a vendor when the University is purchasing a good or service over a period of time, or where the purchase may pose a liability risk to the University. As such, SMS may not have a contract for some purchases (e.g., office furniture). Since FM projects always involve the purchase of services, FM projects include contracts for all vendors (e.g., architect, mechanical engineer).

We found that all of the contracts tested were completed in a timely manner and appropriately signed by the other organization and University staff. We also found that the contracts in our sample were centrally managed by the University department that created the contract (i.e., SMS or FM).

However, as described in **Section 5.4.3**, the University needs to establish contract documentation requirements for the procurement of goods and services to ensure certainty and protection for the University (e.g., termination, privacy, confidentiality, severability).

## **5.7 Reporting on Vendor Performance Needed**

### **5.7.1 Vendors Validated**

We expected the University to have a process to establish and approve vendors and keep that information in the University's financial system. SMS and FM each track vendors in databases that only their respective staff can access. These individuals can create a vendor in the database, which is appropriate as they assist in determining the suitable vendors in the tendering process. To pay a vendor, the vendor must be entered into the financial system by Financial Services staff.

### **5.7.2 Vendors Paid in Accordance with Contracts**

We expected that the University would ensure goods and services were received as required by contract before processing a payment to the vendor. The University often uses purchase orders to ensure proper approval occurs before purchases are made.

SMS prepares a purchase order based on a purchase requisition from a requesting department, and tracks it in the financial system. The requesting department documents when it receives the goods or services. If there is a contract for the purchase, SMS staff will compare the invoice to the contract to ensure it matches the contract terms prior to approving an invoice for payment. Financial Services receives the invoice and compares it to the purchase order. The University allows invoices to be paid when there are discrepancies of less than 5% between the invoice and the purchase order. Larger discrepancies are reviewed by University staff to determine the cause and reasonability of the discrepancy.

FM processes purchase orders related to construction projects and tracks the purchase orders in its computer system. When invoices are received, FM matches them to the purchase orders and contracts, and then forwards them to Financial Services for payment processing. FM ensures that goods or services have been received (e.g., architect's report on construction progress) and that construction holdbacks are correctly applied to invoices where required.

We examined whether invoices were paid in accordance with purchase orders and contracts. We found that the University had documented that goods or services were received prior to invoices being paid, and that invoices were paid in a timely manner. We also found that appropriate reviews were conducted to ensure the accuracy of payments, which included matching the invoices to the purchase orders and contracts.

### **5.7.3 Reports Needed on Vendor Performance**

We expected the University to define its reporting requirements for vendor performance. SMS and FM staff deal directly with a vendor if there are problems with the vendor's performance. The University stated that it gradually escalates any issue with a vendor until it is resolved, or the University decides to terminate the relationship. We did not find evidence of any significant disputes with vendors during the period of the audit.



The University's policies do not require SMS or FM to report to Executive or the Board of Governors about the performance of individual vendors. Requiring this reporting for vendors of significant projects would keep the University better informed about procurement issues that arise. In **Section 5.1.5**, we discuss the need for regular reporting to Executive and the Board of Governors on procurement performance.

#### 5.7.4 Vendor Performance Used for Future Decisions

We expected the University to use historical information about vendor performance to inform future decisions. As described in **Section 5.7.3**, the University has processes to manage issues with vendor performance and escalate issues if required. SMS and FM track these issues in databases to ensure vendor performance issues are considered when selecting vendors in the future. SMS and FM staff also consult with each other about past performance of vendors.

## 6.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION— DISPOSAL

The objective of this audit was to assess whether the University of Regina had effective processes for the twelve-month period ended June 30, 2013 for the disposal of surplus assets. For the purposes of this audit, surplus assets are assets that the University has decided that it no longer needs. These assets include computers, equipment, office furniture, etc.

We examined the University of Regina's related policies and procedures and disposal documents. We interviewed staff with key responsibilities for disposal of surplus assets. We used knowledge obtained in the past year from our annual audit of the University's rules and procedures to safeguard public resources.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate the University of Regina's processes, we used criteria based on our related work and reviews of literature including reports of other auditors. Management and our Office worked together to develop the criteria and agreed that the criteria were appropriate (see **Figure 4**).

**Figure 4—Audit Criteria for Disposal of Assets**

To have effective processes for disposal of assets, the University of Regina should:

- 1. Set policies for disposal of assets**
  - 1.1 Develop and approve policies for disposal of assets
  - 1.2 Align policies with externally-imposed requirements (e.g., of funding agencies)
  - 1.3 Update policies periodically
  - 1.4 Communicate policies for disposal
  - 1.5 Monitor and report on compliance with policies
- 2. Identify relevant assets prior to disposal**
  - 2.1 Establish criteria to identify assets for disposal
  - 2.2 Evaluate condition and remaining service potential of assets (e.g., quality, useful life, etc.)
  - 2.3 Approve a list of assets identified for disposal
- 3. Dispose of assets in accordance with policies**
  - 3.1 Prepare assets for disposal (i.e., decommissioning)
  - 3.2 Follow consistent disposal methods
  - 3.3 Record proceeds from disposal appropriately

**We concluded that for the twelve-month period ended June 30, 2013, the University of Regina had effective processes for the disposal of surplus assets, except it needs to:**

- 】 **Update and enforce its disposal policy and procedures**
- 】 **Require sufficient reporting to the Board of Governors regarding disposal activities**
- 】 **Ensure computer assets are properly decommissioned before disposal**
- 】 **Implement written agreements for the donation of surplus assets to charitable organizations**

## 7.0 KEY FINDINGS AND RECOMMENDATIONS—DISPOSAL

In this section, we set out the criteria (expectations) and our key findings along with related recommendations for disposal.

### 7.1 Set Disposal Policies and Procedures

#### 7.1.1 Disposal Policies and Procedures Need Improvement

We expected the University to have documented and approved processes to provide for the fair and transparent disposal of surplus assets. SMS is responsible for recording assets identified for disposal by University staff and arranging for disposal of those assets through a monthly salvage auction process. SMS posts items on the University's salvage website for public bid each month. SMS is also responsible for awarding the items to the highest bidders, collecting proceeds from the auction, and directing the successful bidder to pick up the asset. Proceeds from disposal items are redirected back to the originating department when the proceeds are over \$50, to Information



Services for Evergreen computers,<sup>14</sup> and to SMS for all other items. SMS uses its share of the proceeds to offset costs of the disposal process.

The University's Capital Assets Policy outlines the processes for the disposal of assets. This policy was approved by the Vice-President (Administration), the Audit and Risk Management Committee, and the Board of Governors.

The policy requires all staff to inform SMS about the assets that are deemed to be surplus or salvage. It does not outline any criteria for staff to consider when identifying assets for disposal (e.g., age, condition, service potential). It also does not require a department head to review and authorize the assets identified for disposal to ensure that assets have no further service potential to the department. The lack of disposal criteria or a clear authorization process may lead to items being disposed of before the department has received the maximum benefit from the assets.

In alignment with the policy, the disposal procedures are more detailed and identify requirements regarding decommissioning, salvage posting processes, receipt of funds, and pick-up of disposal assets. The disposal procedures do not indicate when they were last updated and approved. Documenting the date disposal procedures were approved and implemented will help ensure they are periodically updated and appropriately approved.

**14. We recommend that the University of Regina update its disposal policy and procedures to clearly define the criteria for identifying assets for disposal and the authorizations required.**

## 7.1.2 Policies Need to Ensure Compliance with Externally-Imposed Requirements

We expected that the University's disposal policies would ensure compliance with any conditions for the disposal of assets imposed by external parties. The University expects academic staff to seek research funding to finance their research. Generally research agreements specify that the items purchased with research funds belong to the University. The University is responsible for ensuring that the assets purchased are used to support research programs and comply with any requirements or restrictions for disposal stipulated by research funding. As discussed in **Section 7.1.1**, the University should properly authorize the disposal of assets so that items purchased with research funds are disposed of in accordance with the terms and conditions of the research funding.

## 7.1.3 Policies Need to Be Updated Regularly

We expected the University to follow its policy framework and update policies at least every five years. As described in **Section 7.1.1**, the University needs to update its

<sup>14</sup> The University's Evergreen Equipment Program (Evergreen) provides all University departments with new computers every five years to carry out their general responsibilities.

disposal policy and procedures to clearly define the criteria for identifying assets for disposal and the authorizations required.

### 7.1.4 Policies for Disposal Adequately Communicated

We expected the University to communicate its disposal policies to staff. As described in **Section 5.1.4**, all of the University's policies are posted on its website. The SMS website has additional documents explaining how to dispose of items. Disposal policies and procedures are also communicated to staff through emails, presentations, and staff orientation. These communications outline the role of SMS and include the disposal process.

### 7.1.5 Policies for Monitoring and Reporting Compliance Needed

We expected that the University to have processes to monitor and report on compliance with disposal policies, which would also include identification of performance issues regarding disposal processes. We found that the University had limited processes to monitor, follow up, or impose disciplinary action when disposal policies are not complied with. As described in **Section 5.1.5**, implementation of its internal audit function will help improve the University's processes to identify and address non-compliance with policies.

Although there was some ad hoc reporting, we found that there was no regular reporting to Executive and the Board of Governors on performance of the disposal processes or non-compliance with disposal policies. Regular reporting to Executive and the Board of Governors helps to ensure informed decisions, effective oversight, and proper management of the University's risks (e.g., financial, legal, reputational).

**15. We recommend that the University of Regina implement policies to identify and address non-compliance with disposal policies.**

**16. We recommend that the University of Regina define requirements for regular reporting to Executive and the Board of Governors regarding disposal of assets, including non-compliance with policies.**



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## **7.2 Improvements Needed for Identification of Relevant Assets Prior to Disposal**

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### **7.2.1 Criteria Needed for Identification of Assets for Disposal**

We expected the University's processes to include criteria for identification of assets for disposal. As described in **Section 7.1.1**, identification of assets for disposal is conducted by University staff. With the exception of Evergreen computers, the policies and procedures do not outline any criteria for identification of assets for disposal. Criteria for disposing of Evergreen computers are discussed further in **Section 7.3.2**.

### **7.2.2 Condition and Remaining Service Potential of Assets Need to be Evaluated**

We expected the University to have processes to evaluate the condition and remaining service potential of surplus assets. The list of assets posted on the University's salvage website included asset descriptions provided by the departments disposing of the assets. These descriptions included details about each asset, such as a physical description, serial number, barcode number, condition, and whether someone could view the item. An inaccurate description of an asset could result in the bidders disputing auction results and/or items being left unclaimed. Each department is responsible for providing accurate information to SMS. In **Section 7.1.1**, we describe the need to define the criteria for identifying assets for disposal and the authorizations required. Without these processes, we cannot determine if the condition and remaining service potential of all assets was properly evaluated.

### **7.2.3 Approval Needed for Assets Prior to Disposal**

We expected the University to require approval for the disposal of assets. As described in **Section 7.1.1**, there is no formal approval by the department disposing of the assets. This lack of approval increases the risk that the University may inappropriately dispose of assets that have remaining value.

## **7.3 Assets Not Always Disposed of in Accordance with Policies**

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### **7.3.1 Assets for Disposal Need to be Properly Decommissioned**

We expected the University to have processes to prepare assets for disposal. Most non-computer equipment does not require specialized preparation for disposal (i.e., decommissioning). Some specialized research assets may have environmental considerations that are addressed in policies such as the Hazardous Materials Management Policy. We did not identify any issues related to preparing non-computer assets for disposal.

Computers may store confidential data or licensed software that must be properly removed before disposal of the computers (i.e., decommissioning processes include wiping the hard drives to permanently delete any data or University programs). While University staff are directed to save all work to network drives, there may be occasions when staff need or choose to save information to computer hard drives.

Information Services tracks and provides support for Evergreen computers, including assistance with disposal. At the end of their five-year service life, the computers may be retained by the department, offered to other departments, or sold, at which point Information Services decommissions the computer and is no longer required to provide support services.

In addition to the Evergreen computers, University staff may purchase computer assets with research or other available funding. Information Services is often not engaged by departments to provide support services for these computers, although policies exist that enable Information Services to provide support on a fee-for-service basis.

Information Services has a process for decommissioning computers, which includes using specialized software to permanently remove all University data and licensed software stored in the computer. Evergreen computers are returned to Information Services and the hard drives are wiped prior to the sale of the computers.

We found that all computer assets disposed of with the support of Information Services were decommissioned following its processes, while other computer assets were not properly decommissioned before disposal. If computers are not properly decommissioned, the individuals who purchase the computers may be able to gain unauthorized access to University data (e.g., sensitive research findings, financial information). Also, the University has a responsibility to ensure that software is removed from these computers so that it does not violate licensing agreements.

**17. We recommend that the University of Regina ensure that its computers are properly decommissioned before their disposal to prevent unauthorized access to University data.**

### 7.3.2 Consistent Disposal Methods Not Always Followed

We expected the University to consistently follow its processes for disposal. The University has a process for receiving, posting, and closing of public bids on the salvage website. If there are no bids for an item and there is no minimum bid required, the University donates the items to charitable organizations such as the Food Bank (e.g., printers) or the Salvation Army (e.g., furniture). The University tracks items that are donated through its monthly disposal spreadsheets; however, it does not confirm that the donations were actually received by the charitable organization. With the exception of the items described below, we found that the items tested were posted on the University's salvage website, were all awarded to the highest bidder, or donated where appropriate.

At the time of our audit, while the University was providing certain charitable organizations with salvage items, it did not have any written agreements with these



organizations. We noted that about seven years ago the University had entered into a verbal agreement with an individual purporting to represent a charitable organization, and provided this individual with preferential treatment by allowing circumvention of the public bidding process (e.g., providing items for free that others had bid on). In 2012, the University learned, through discussions with actual representatives of that charitable organization, that the individual was not a representative of the charitable organization. Once the misrepresentation was revealed, the University severed the relationship with the individual. This matter is currently being investigated by the Regina Police Service with the cooperation of the University.

The University faces a reputational risk by not entering into written agreements (e.g., memorandum of understanding) with reputable charitable organizations to whom it routinely donates items and by not following up with the organizations about donated items on a periodic basis. Written agreements would establish the clear expectations of each party and the process that will be used for making donations.

**18. We recommend that the University of Regina enter into written agreements with the charitable organizations to which it regularly donates assets and implement a process to confirm the donations are received.**

### 7.3.3 Proceeds from Disposals Recorded Appropriately

We expected that the University would have controls to ensure proceeds of disposals were properly deposited and recorded in the accounting records. The University requires the highest bidder to be awarded the disposal items unless an internal department requests the item or there is a minimum bid that is not met. A minimum bid may be placed on the asset by the department disposing of the asset or based on the residual book value remaining (i.e., asset has not reached the end of its service life so should have a higher value than typical salvage items).

SMS receives payments and provides receipts to individuals so they are able to pick up the items from University departments. We found that receipts were provided to the individuals appropriately and that the University had adequate processes to ensure that the proceeds from disposal items are taken to Financial Services, deposited, and accurately recorded.

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