

Chapter 38

Saskatoon School Division No. 13—Goods and Services Procurement Processes

1.0 MAIN POINTS

Buying goods and services can involve significant risks. Use of effective processes to buy (procure) goods and services helps ensure public sector agencies make purchase decisions in an open and transparent manner, treat suppliers fairly, and use public resources wisely.

This chapter focuses on Saskatoon Public School Division No. 13 (Saskatoon Public), as it is one of the larger school divisions. We encourage other school divisions to use the criteria and findings in this chapter as a way to self-assess their procurement processes.

In common with the other 27 school divisions, Saskatoon Public uses public resources to buy goods and services to operate. In this chapter, we report that Saskatoon Public had, other than in the following areas, effective processes for the procurement of goods and services.

We found that Saskatoon Public needs to:

- › Regularly review, update, approve, and enforce its procurement policies
- › Require sufficient reporting about procurement activities to its Board
- › Retain documentation of its analysis and decisions for awarding tenders
- › Establish minimum contract documentation requirements
- › Validate suppliers, and restrict user access to make changes to supplier information within its financial system

2.0 INTRODUCTION

Saskatoon Public has a student population of about 23,500, with approximately 2,300 full-time equivalent staff. The school division has 44 elementary schools, 11 high schools, two associate schools, and educational programs that are also offered away from a school site. In its 2012-13 audited consolidated financial statements for the year ended August 31, 2013, Saskatoon Public reported spending \$39.4 million on goods and services.

This chapter sets out the results of our audit to assess the effectiveness of Saskatoon Public's processes for the procurement of goods and services for the 12-month period ended August 31, 2014.



2.1 Background—Procurement

Section 85(1) of *The Education Act, 1995* (Act) assigns boards of education (school boards) of school divisions with the responsibility for administration and management of schools within their division, with oversight from the Ministry of Education (Ministry). The Act makes school boards responsible for exercising general supervision and control over the schools in the school division. In addition, subject to other provisions of the Act, school boards approve administrative procedures pertaining to the internal organization, management, and supervision of schools.

To carry out their responsibilities, school divisions, using public resources, purchase various goods and services throughout the year. Goods and services include:

- › Caretaking services and supplies
- › Office supplies
- › Maintenance contracts
- › Learning resources, including textbooks, library books, reference books, and equipment
- › Supplies and materials considered necessary for courses of instruction

School divisions may also incur various expenditures pertaining to the transportation of students, such as the purchase or lease of vehicles (sections 195 and 354 of the Act), or entering into a contract for the provision of transportation services. *The Education Regulations, 1986* require school divisions to tender the provision of transportation services if they expect the cost to exceed \$75,000.

School divisions use public resources to acquire goods and services as part of their mandate to provide education to students. School divisions must manage the acquisition of goods and services so that processes are both transparent and display fairness. Transparency and fairness depend on clear communication of needs, articulation of evaluation criteria, and unbiased processes for selection of vendors.¹ The procurement of goods and services can involve significant risks.

This audit focused on Saskatoon Public, as it is one of the larger school divisions in the province. The criteria in this audit are equally applicable to all school divisions. In common with other school divisions, Saskatoon Public's reputation may be at risk if it does not have a transparent and unbiased process for procuring goods and securing services.

Ineffective procurement processes can also pose financial risks, which could result in the school division not obtaining best value for public money. Alternative procurement methods, such as single- or sole-source procurement² and purchasing cards, also introduce risks to the process that must be properly evaluated and managed.

¹ For the purposes of our audit, the terms vendor and supplier are used interchangeably.

² Sole source is where there is only one possible vendor. Single source is the use of one of multiple possible vendors without tendering.

To manage its risks, Saskatoon Public requires effective processes so that it procures goods and services with due regard for obtaining best value for the school division in a way that is fair and transparent. Ineffective processes for procurement of goods and services could result in Saskatoon Public not obtaining best value for the division, subjecting itself to increased reputational risks.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Saskatoon School Division No. 13's processes for the procurement of goods and services for the 12-month period ended August 31, 2014.

For the purposes of this audit, the procurement of goods and services did not include the procurement of capital infrastructure items.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Saskatoon Public's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Saskatoon Public's management agreed with the criteria (see **Figure 1**).

We examined Saskatoon Public's policies and procedures that relate to the procurement of goods and services for the 12-month period ended August 31, 2014. We interviewed staff responsible for the procurement of goods and services, including senior management. We tested key aspects of the procurement processes by examining procurement files, contracts, invoices, and purchasing card statements to assess the effectiveness of the processes throughout the audit period.

Figure 1 – Audit Criteria

To be effective, processes for procurement of goods and services 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 and specifications for required goods and services**
 - 2.1 Define the need in sufficient detail for supplier's and agency's understanding
 - 2.2 Define specifications to encourage open and effective competition
 - 2.3 Specify other requirements (e.g., warranty, delivery, packaging, performance guarantees)
 - 2.4 Use specifications that support government and organization policies
- 3. Obtain quotations fairly**
 - 3.1 Identify feasible sources of supply
 - 3.2 Obtain appropriate authorization to initiate purchase (e.g., tenders)
 - 3.3 Give equal and fair treatment to potential suppliers
- 4. Select suppliers for required goods and services**
 - 4.1 Evaluate potential suppliers for best value
 - 4.2 Document decision for vendor selection
 - 4.3 Obtain appropriate approval to buy goods and services
 - 4.4 Inform bidders of tender decision
 - 4.5 Obtain written contractual agreements
- 5. Manage vendors**
 - 5.1 Validate vendors
 - 5.2 Pay vendors in accordance with written contracts
 - 5.3 Take internal action on performance problems
 - 5.4 Report performance problems to suppliers



We concluded that for the 12-month period ended August 31, 2014, Saskatoon School Division No. 13 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 sufficient reporting to its Board about procurement activities
- › Retain documentation of its analysis and decisions for awarding tenders
- › Establish minimum contract documentation requirements
- › Validate suppliers, and restrict user access to make changes to supplier information within the financial system

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

4.1 Setting Policies for Procurement of Goods and Services

4.1.1 Clear and Complete Delegation of Authority Needed

We expected the following. Saskatoon Public would develop, and the Board would approve policies for procurement of goods and services, periodically update its policies, and communicate its policies to its staff. The Board would formally delegate authorities consistent with approved policies. Its delegation of authority policy would give certain positions authority to make financial decisions on behalf of Saskatoon Public, and the nature and extent of the authority would align with the responsibilities and knowledge of the position. Also, such a policy would specify for each assigned position, the extent of authority delegated, and related accountability for specific financial activities (e.g., approve contracts up to \$10,000).

Saskatoon Public maintains its administrative procedures (policies) within its *Administrative Procedures Manual* (Manual), and centrally maintains all of its policies on the school division's website.³ These include policies over the procurement of its goods and services including purchasing, tendering, and guidelines for the use of purchasing cards. Its policies require obtaining goods and services through open competition wherever possible. Approved procurement methods and authorizations vary depending on the dollar value of purchases. For example, the Board must approve all purchases over \$100,000. For purchases less than \$1,000, staff may use purchasing cards, if they are assigned one. Open competition (e.g., formal tenders, quotations, etc.) must be used for purchases over certain dollar thresholds (see **Figure 2**). The purchasing policy

³ www.spsd.sk.ca/division/adminproceduresmanual (9 September 2014).

includes requirements for open competition that establish thresholds for the minimum tendering and quotation requirements.

Figure 2—Minimum Tendering and Quotation Requirements

Dollar Threshold	Procurement Method
Up to \$5,000	Supplier chosen at the discretion of Purchasing Services based on market knowledge – this may include informal quotations, depending on the situation
Between \$5,000 and \$20,000	Minimum of three formal quotations
Over \$20,000	Formal tender
Over \$100,000	Public tender, as required by the Agreement on Internal Trade

Source: Saskatoon School Division No. 13's Purchasing Administrative Procedure.

The purchasing card policy establishes programmed limits per transaction and per month. The policy also outlines prohibited purchases when using a purchasing card (e.g., personal items, commitments requiring a contract, splitting of purchases to bypass transaction limits, alcohol).

Saskatoon Public's Purchasing Services Branch (Purchasing Services) is responsible for procuring all of its goods and services, with the exception of purchases less than \$1,000. These purchases are processed through use of purchasing cards or the Division's On-Line Catalogue and Ordering system.⁴

The purchasing policy specifically outlines certain procurement responsibilities of the Chief Financial Officer (CFO) and the Manager of Purchasing Services. For example, the Manager of Purchasing Services or the CFO are each given the sole authority to execute purchase or lease contracts or purchase orders on behalf of the school division. However, the policy is silent with respect to the purchasing authority of other management and staff (e.g., superintendents, managers, principals).

We found that other management and staff routinely approve purchases. Saskatoon Public has not clearly outlined, in writing, the nature and extent of authority for each of these individuals. As such, its delegation of authority is not formalized or complete.

Without complete, written delegation of authority policies, there is increased risk of making inappropriate purchasing decisions without sufficient authority. It also increases the risk of being unable to hold management and staff accountable for purchasing decisions made.

- 1. We recommend that the Board of Education of Saskatoon School Division No. 13 approve a written delegation of authorities policy that sets out the authority for all positions involved in the procurement of goods and services.**

Also, Saskatoon Public has a policy requiring a cyclical review of all its policies (as mentioned earlier, it refers to these as "administrative procedures"); the Board can also

⁴ Purchasing Services makes small dollar standard goods (e.g., office supplies) available for purchase by division staff through the On-Line Catalogue and Ordering System.



initiate a review of a policy at any time. It requires a team of senior management (called the Executive Council and Administrative Council)⁵ to review one section of the Manual each year and provide any changes to the Board for its information. The Board has given these councils the authority to approve Saskatoon Public's policies.

The Board's approval of key organizational policies is essential, as policies set out the Board's expectations for the operations of the organization. Inappropriately designed and approved procurement policies can present significant financial, legal, and reputational risks to the school division.

2. We recommend that the Board of Education of Saskatoon School Division No. 13 approve the division's key policies including those related to the procurement of goods and services.

We also expected Saskatoon Public to align its policies with externally-imposed requirements. Externally-imposed requirements vary, and are usually imposed by a funder (e.g., government). There are two significant externally-imposed requirements that are relevant to Saskatoon Public – the Agreement on Internal Trade (AIT)⁶ and the New West Partnership Trade Agreement (NWPTA).⁷ The requirements of the NWPTA differ slightly from those within the AIT. For example, NWPTA requires purchases exceeding \$75,000 be publicly tendered through an electronic tendering system (e.g., the Government's tendering system – SaskTenders) and the AIT has a similar requirement for purchases exceeding \$100,000.

We found that Saskatoon Public's purchasing policy appropriately incorporates the requirements of the AIT. While Purchasing Services is aware of the NWPTA requirements and strives to adhere to them, the purchasing policy does not incorporate the requirements of the NWPTA. If the purchasing policy does not address all externally-imposed requirements, there is increased risk of Saskatoon Public not complying with these requirements.

3. We recommend that Saskatoon School Division No. 13 update its purchasing policies to align with significant externally-imposed requirements.

⁵ Membership of the Executive Council consists of the Director of Education, Deputy Director of Education and the Chief Financial Officer. The Administrative Council consists of Executive Council members, all Superintendents and the Chief Technology Officer.

⁶ The Agreement on Internal Trade is an intergovernmental agreement between the federal government and the provinces and territories to reduce and eliminate barriers to free movement of people, goods, services and investments within Canada.

⁷ The New West Partnership Trade Agreement is an accord between the governments of British Columbia, Alberta, and Saskatchewan that creates Canada's largest, barrier-free, interprovincial market.

4.1.2 Policies for Monitoring and Reporting on Compliance Needed

We expected the following. Saskatoon Public would document its processes for detecting and addressing non-compliance with policy, and include reporting requirements to keep senior management and the Board informed of significant issues. Its policies would establish processes for identifying and reporting to senior management and the Board other significant performance issues in the procurement process. Reporting would include information on key risks related to the various types of purchasing methods (e.g., tendering, purchasing cards, single- or sole-source).

Saskatoon Public has established clear processes to identify non-compliance with established policies. For example, Purchasing Services staff review all purchasing card transactions and review system exception reports (e.g., split transactions report)⁸ to assess compliance with policy. They follow up with the cardholders on identified potential non-compliance and can suspend purchasing cards for non-compliance.

Saskatoon Public has not documented its process for addressing identified non-compliance with its purchasing policies, including when to report these issues to senior management and the Board.

Also, management is aware that it is possible for staff to purchase items even when their purchasing card has been suspended by submitting purchase receipts through the expense reimbursement process. Management is not formally monitoring to assess the frequency of circumvention of policy to determine if any incidents exist.

A well-defined process would provide management and staff with guidance regarding the steps they should take to address non-compliance, including informing the appropriate individuals, stopping or reducing the non-compliant activity, taking necessary disciplinary action, and preventing future non-compliance.

4. We recommend that the Board of Education of Saskatoon School Division No. 13 implement policies and procedures to identify and address non-compliance with purchasing policies, including reporting requirements.

4.2 Defining the Need and Specifications for Required Goods and Services

4.2.1 Improved Communication Needed with Those Requesting Goods or Services

We expected Saskatoon Public to define, in writing, the need, specifications, and relevant requirements for goods and services, and to use specifications supporting its policies.

⁸ The split transactions report identifies purchasing card transactions of the same dollar value, on the same date, and to the same vendor. The report identifies the potential splitting of purchases to exceed the programmed transaction limits.



Staff throughout the school division are responsible for identifying the goods and services required and ensuring that sufficient funds to make these purchases are available in the approved budget. As previously noted, individual staff have authority to make purchases less than \$1,000 (i.e., through use of purchasing cards or the On-Line Catalogue and Ordering System) without the involvement of Purchasing Services.

For purchases exceeding \$1,000, staff submit approved purchase requisitions to Purchasing Services to initiate the purchase process. These purchases may involve obtaining informal or formal quotations, or conducting a formal tender. For these purchases, Purchasing Services collaborates with staff requesting goods or services to define the necessary specifications.

For items purchased through Purchasing Services that we examined, we found:

- › In all cases, the purchase specifications were sufficiently detailed and included relevant requirements to allow vendors to bid or provide quotes for the tenders (e.g., warranty, delivery, installation, etc.).
- › In 17 out of 21 instances, Purchasing Services did not consistently obtain written documentation of approval from appropriate authorities prior to initiating the purchases. It needs this information to verify the specifications of the required goods or services included within requests for tenders or quotes. Purchasing Services typically discusses the requirements for tenders or quotes verbally with the requesting department prior to initiating the purchases. Without documented approval of the request for tender or quote, there is increased risk of the request not being consistent with the expectations of the individual requesting the purchase.

In **Section 4.1.1**, we recommend the Board approve a clear and complete delegation of authority policy. Such a policy would define the approvals necessary before Purchasing Services initiates the purchase of goods or services. Without having the details of a request for tender or quote approved by an appropriate authority prior to initiating the purchase, Saskatoon Public is at risk of providing vendors with incomplete or inaccurate information concerning the required goods or services it needs. Providing vendors with incomplete or inaccurate information increases the risk of process inefficiencies and of Saskatoon Public purchasing goods and services that do not adequately meet its needs.

4.3 Obtaining Quotations Fairly

4.3.1 Feasible Sources of Supply Identified

We expected Saskatoon Public to identify feasible sources of supply to meet its identified needs in a way that is fair and transparent.

As previously noted, Saskatoon Public's procurement policies require use of open competition for purchases over \$5,000 and allows the use of purchasing cards for purchases less than \$1,000.

For the items purchased through tender that we tested, we found:

- › In all cases, Purchasing Services communicated tenders to potential vendors. As a result, Saskatoon Public received multiple vendors bidding on each tender, which indicates feasible sources of supply.
- › In one case, a purchase exceeding \$75,000 was not tendered through an electronic tendering system (e.g., SaskTenders) when it should have been. As described in **Section 4.1.1**, the NWPTA requires purchases exceeding \$75,000 to be publicly tendered through an electronic tendering system and we recommend that Saskatoon Public update its purchasing policies to align with significant externally-imposed requirements (e.g., NWPTA). All other purchases exceeding \$75,000, that we tested, were publicly tendered through an electronic tendering system.

We also expected Saskatoon Public to establish authorization and documentation controls around the use of purchasing cards.

Saskatoon Public has established several processes to manage the use of purchasing cards. Purchasing Services only provides purchasing cards to staff upon receipt of an application form signed by the cardholder and the cardholder's direct supervisor. At the same time, it requires a signed cardholder agreement that details key responsibilities and guidelines. Cardholders reconcile monthly purchasing card statements with the original receipts, with the statement subject to review and approval by the cardholders' direct supervisor.

4.3.2 Appropriate Authorization to Initiate Purchase (e.g., tenders) Not Documented

We expected Saskatoon Public to have processes to ensure those initiating purchases obtain authorization consistent with approved policies.

As noted in **Section 4.1.1**, Saskatoon Public's delegation for making purchases is not formalized or complete. Saskatoon Public cannot demonstrate appropriate authorization of purchases.

In **Section 4.2.1**, we describe concerns with Purchasing Services not consistently obtaining approval from appropriate authorities prior to initiating the purchases externally.

4.3.3 Guidance for Setting Tender Response Time Needed

We expected Saskatoon Public to establish policies addressing fair and equal treatment of potential suppliers in tender award evaluation. This would involve ensuring that all vendors receive the same information on which to base their responses to the tender. We also expected Saskatoon Public to establish a standard tendering time (e.g., suggested minimum time) to allow potential suppliers sufficient time to respond to the tender request.

Saskatoon Public's purchasing policy adequately addresses the concepts of fair and equal treatment of potential suppliers through the adoption of the principles of open competition, transparency, and non-discrimination.



As previously noted, Purchasing Services staff manage all tenders and quotations, including communications with suppliers. It uses processes to ensure all potential suppliers receive the same information regarding tenders (e.g., tender documents, answers to questions asked by suppliers). While the policy does not set out the standard tendering time to allow for responses to tenders, Purchasing Services indicated it generally allows a two-week response period.

For the tendered items we tested, 11 out of 21 instances had a response period that was less than a two-week time period. In all of these instances, Saskatoon Public had received several bids from potential vendors. This suggests vendors had sufficient time to respond to the requests.

Regardless, documentation of a standard tendering time, along with a process to address exceptions to the standard, will clarify the process and ensure consistent treatment of all suppliers.

5. We recommend that Saskatoon School Division No. 13 establish guidance for tendering times for receiving bids from potential suppliers.

To facilitate the fair and equal treatment of vendors, we also expected the following. Saskatoon Public to permit single- or sole-sourcing only in circumstances where tendering is not feasible. When single or sole sourcing, it would require documentation of the justification for this decision and approval prior to initiating the purchase. This justification could be in a policy for certain types of recurring expenses (e.g., utilities, legal services).

Saskatoon Public's purchasing policy permits single- or sole-source purchasing where no competitive supply market exists, or when the CFO or Manager of Purchasing Services considers it to be in the division's best interests.

We found that Saskatoon Public rarely uses single- or sole-sourcing when purchasing goods and services. For two single- or sole-sourcing purchases we tested, both clearly documented the justification for using this procurement method and were properly approved.

4.4 Selecting Suppliers for Required Goods and Services

4.4.1 Documented Evaluation of Supplier Proposals Needed

We expected Saskatoon Public to use established evaluation criteria to evaluate potential suppliers for best value.

When developing requests for tender, Saskatoon Public develops evaluation criteria where necessary to do so. Because of the nature of the purchase, selection of the supplier for several of the items purchased through tender that we tested was based solely on the lowest bid and as such did not require the establishment of other detailed evaluation criteria (e.g., purchase was of a specific make or model of equipment).

For those items purchased through tender that we tested with detailed evaluation criteria, we found that in 3 out of 7 instances, Purchasing Services did not maintain documentation of the evaluation. Therefore, we were unable to verify the use of evaluation criteria and the appropriate selection of suppliers in these instances.

Without documenting the evaluation of potential suppliers against the established tender criteria, the division may not be able to adequately justify to others the awarding of the tender to the selected supplier.

6. We recommend that Saskatoon School Division No. 13 document its analysis and decisions for the awarding of all tenders and retain this documentation in accordance with its document retention policies.

4.4.2 Approval for Vendor Selection Not Appropriate

We expected Saskatoon Public to establish a process to obtain appropriate approval from the requesting department for the supplier selected prior to communicating with the suppliers.

As noted in **Section 4.1.1**, the purchasing policy does not clearly set out the purchasing authority for all levels of staff who make purchases. However, before Purchasing Services awards the selection of a supplier, it confirms with the head of the requesting department or the individual responsible for the budget (e.g., director, principal) that the goods or services will meet their needs.

For the purchases we tested, we found:

- › 3 out of 21 instances where Purchasing Services did not confirm with the head of the requesting department or the individual responsible for the budget that the goods or services would meet their needs.
- › 2 out of 21 instances where the documentation for approval of vendor selection was not maintained.
- › 4 out of 21 instances where communication of tender decisions to the vendors was not maintained (i.e., communication was done verbally). Therefore, we were unable to verify receipt of approval of vendor selection prior to communication with the vendors.

If selected vendors are not appropriately approved or approvals are not adequately documented, Saskatoon Public cannot demonstrate it selected the appropriate vendor which may result in reputational risk and vendor complaints.



- 7. We recommend that Saskatoon School Division No. 13 require appropriate written approval be obtained for the selection of suppliers before communicating purchasing decisions with suppliers.**

4.4.3 Process for Contractual Agreements Needed

We expected the following. Saskatoon Public to set minimum requirements for when a written contract is expected and minimum provisions that must be included in such agreements (e.g., use a standard contract template). The contracts should outline the obligations of each party to the contract and reflect the identified needs of Saskatoon Public.

Saskatoon Public assesses the need for a contract on a case-by-case basis. It does not have written guidance to guide this assessment. Once it decides to use a contract, its procedures require that the contract be subject to review by the school division's legal counsel. It does not have or use a standard purchasing contract template to guide the standard content of contracts.

For the items purchased through tender that we tested, we found that Saskatoon Public tends to use purchase orders with successful vendors rather than using additional or separate contracts. For most tenders we reviewed, this treatment was appropriate given the nature of the goods purchased (e.g., to supply reeds for musical instruments).

However, we found four instances where purchases were executed based only on the vendors' responses to the tenders – there was no purchase order or contract that would outline the obligations of each party. We also found one instance where a contract was completed but had not been subject to review by legal counsel.

Establishment of a formal process for establishing contracts for the procurement of goods and services (e.g., when they are necessary, process to assess adequacy, etc.) would provide certainty and protection for the school division (e.g., termination, privacy, confidentiality, severability).

- 8. We recommend that Saskatoon School Division No. 13 establish minimum contract documentation requirements for the procurement of goods and services.**

4.5 Managing Vendors

4.5.1 Vendor Approval Process Needs to be Followed

We expected Saskatoon Public to have a process to verify the validity (i.e., existence, ownership) of vendors, approve vendors, and sufficiently restrict access to create or edit vendors within the electronic financial system.

To be paid, vendors must be an approved vendor and included in Saskatoon Public's electronic financial system. Saskatoon Public requires all new vendors to complete a

vendor application form. Upon receipt of a vendor application form, Purchasing Services staff review the form and complete a vendor due-diligence checklist. Using this checklist, it assesses the validity of the vendor (e.g., searching for a vendor website, observing the vendor's office, searching the phone book). Based on the results of due diligence, Purchasing Services approves the vendor and adds it to Saskatoon Public's electronic financial system.

For the vendors we tested, we found 5 out of 10 did not have completed vendor application forms, and for 7 out of 10, the vendor due-diligence checklist was not completed. If established procedures concerning the review of new vendors are not adhered to, there is increased risk that inappropriate vendors may be authorized and created within the electronic financial system. Use of inappropriate vendors increases the risk of making fraudulent payments.

9. We recommend that Saskatoon School Division No. 13 follow its established procedures for assessing the validity (e.g., existence, ownership) of suppliers.

We expected the ability to create, edit, and remove vendors from the financial system to be separate from the ability to initiate, approve, or record purchases and payables.

When we examined a user access report that detailed all system users, their respective roles and access to the financial system, we found 16 users who work outside of Purchasing Services (e.g., Finance) that had access to make changes to the vendors within the financial system (e.g., create, edit etc.).

While Saskatoon Public's established procedures require Purchasing Services staff to make changes to vendors within the financial system, providing others with access to make changes does not adequately separate incompatible duties (i.e., staff with the ability to approve or enter payments into the financial system can also add vendors). When incompatible duties are not appropriately segregated, the risk of fraud is increased.

10. We recommend that Saskatoon School Division No. 13 periodically assess the appropriateness of user access to make changes to the suppliers within the financial system (e.g., create, edit).

4.5.2 Goods and Services Received Not Appropriately Documented

We expected Saskatoon Public to ensure goods and services were received as required by contract before processing a payment to the vendor (i.e., evidence of receipt of goods or services was documented).

Purchasing Services prepares purchase orders based on approved purchase requisitions from requesting departments. It expects the requesting departments to document when they receive the goods or services directly on the invoices (i.e.,



signature). The division's Finance Branch compares the invoice to the purchase order or contract prior to payment to ensure payment corresponds with the approved request for goods or services. Purchasing Services investigates any discrepancies in pricing or details before the Finance Branch processes the payment.

For invoices we tested, we found that:

- › In all but one case, school division staff documented the receipt of goods or services; however, in three cases, the same individual received and approved the purchase.
- › Saskatoon Public paid all the invoices within a reasonable time period (i.e., in accordance with supplier payment terms).

The one exception where school division staff did not document the receipt of goods related to the purchase of office supplies under a large contract. Under this contract, Saskatoon Public paid this vendor about \$0.3 million during our audit period. Management explained that it does not require documentation of receipt of goods or services for any of the invoices with this vendor because of the large volume of orders.

Office supplies are easily susceptible to theft. As with all purchases, someone independent from the initiation and approval of the purchase should confirm and document receipt of the goods. Not documenting receipt of goods increases the risk of Saskatoon Public paying for goods it may not need or receive.

The exceptions where the same individual documented receipt and approval of the purchase shows incompatible duties are not always separated (i.e., the ability to initiate, receive, approve, and record purchases and payables). Not requiring separate individuals to document receipt and approval of purchases increases the risk of fraudulent activities (e.g., purchasing goods that do not have a business purpose or are for personal use).

11. We recommend that Saskatoon School Division No. 13 establish processes to appropriately document receipt of goods and services.

4.5.3 Taking Action and Reporting on Vendor Performance Problems

We expected Saskatoon Public to track the performance of vendors, which would be used to inform future purchasing decisions. We also expected Saskatoon Public to establish a process to take internal action on identified vendor performance problems, and to define reporting requirements for vendor performance.

Purchasing Services staff deal directly with vendors to address performance issues that staff throughout the division identify and bring to its attention.

We found that school division staff inform Purchasing Services about problems with vendor performance, as expected. For information related to vendor performance issues we tested, we found Purchasing Services addressed the issues in a timely manner (e.g.,

issue followed up and escalated as necessary with the vendor) and maintained documentation to support follow up of the issues.

Saskatoon Public's policies do not require formal reporting to senior management or the Board about the performance of vendors. We found that it does not do so.

In **Section 4.1.2**, we recommend that Saskatoon Public implement policies and procedures including reporting requirements to identify and address non-compliance with purchasing policies. This should include requiring performance reporting for vendors. Such information will keep the Board and senior management better informed about procurement issues that arise.

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