Chapter 38
Saskatchewan Polytechnic—Procuring Goods and Services

1.0 MAIN POINTS

Saskatchewan Polytechnic (Sask Polytech) has spent almost $70 million in each of the last few years to buy goods and services. Buying goods and services is complex and can involve significant risks. Using effective processes to procure goods and services helps ensure public sector agencies make purchase decisions in an open and transparent manner, treat suppliers fairly, and use resources wisely.

We examined the effectiveness of Sask Polytech's processes for the procurement of goods and services for the 12-month period ended June 30, 2015. In this chapter, we report that Sask Polytech had effective processes for the procurement of goods and services, except it needs to:

> Update its procurement policy to apply to all purchases, and have its Board of Directors review and approve its policy

> Consistently document the basis for key decisions regarding tenders and for using single- or sole-source procurement methods

> Take steps to do more to enforce compliance with its procurement policy and provide the Board with periodic reporting on significant procurement activities

2.0 INTRODUCTION

Sask Polytech was established, under *The Saskatchewan Polytechnic Act* (Act), as Saskatchewan's primary provider of post-secondary technical education and skills training.[1,2] It operates campuses in Moose Jaw, Prince Albert, Regina, and Saskatoon with a student population of over 17,000 students and approximately 1,600 full-time equivalent staff.[3]

2.1 Overview of Sask Polytechnic Procurement

Under the Act,[4] the Board of Directors has the responsibility to conduct and manage the business and affairs of Sask Polytech, including purchasing necessary goods and services.

Using public resources, Sask Polytech purchases various goods and services throughout the year while carrying out its responsibilities defined in the Act. For example, goods and services purchased include office supplies, furniture, and

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[1] Saskatchewan Institute of Applied Science and Technology, *2013-14 Annual Report*, p. 44.
[2] The Saskatchewan Institute of Applied Science and Technology (SIAST) was established through legislation in 1988 to provide adult career-related education and training. In September 2014, SIAST rebranded itself as Saskatchewan Polytechnic pursuant to the Act.
[3] Ibid., pp. 8-9.
[4] Section 8.

equipment (e.g., maintenance, cafeteria). For the year ended June 30, 2015, Sask Polytech spent almost $70 million on goods and services.[5]

Figure 1 shows that in each of the last three years, Sask Polytech's spending on facilities (i.e., rent, repairs and maintenance, security, janitorial), services, materials and supplies, cost of goods sold (i.e., cost of items for resale – textbooks, supplies, food), equipment rental and repairs, and capital acquisitions (i.e., leasehold improvements, furniture, equipment, computers, and software) has remained relatively constant.

Figure 1—Procurement Spending from 2013-2015
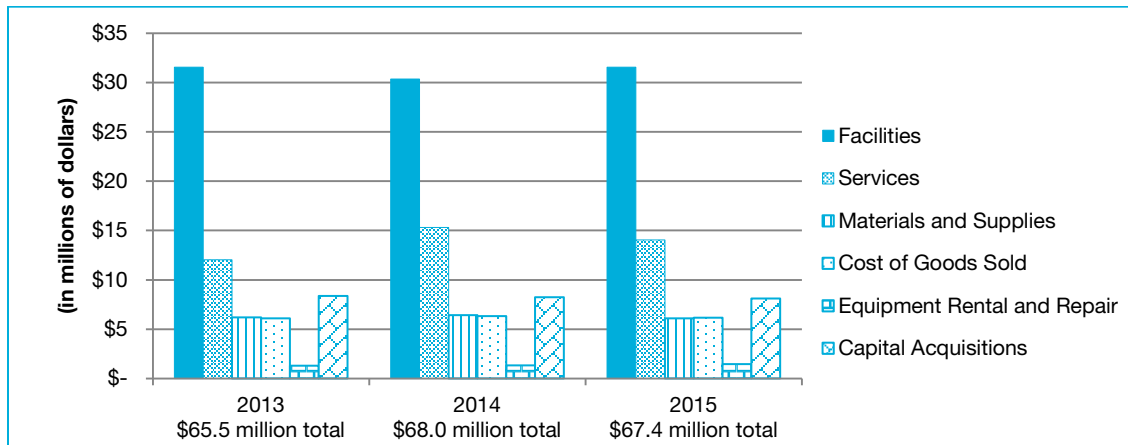
Source: Saskatchewan Polytechnic Audited Financial Statements for 2013 to 2015.

Sask Polytech procures goods and services, other than library and bookstore acquisitions, cafeteria purchases, and purchases less than $5,000, through its Procurement Management Department (Procurement Management). To manage procurement, Procurement Management uses purchasing coordinators located at each campus. Each campus buys library, bookstore, and cafeteria items separately.

Buying goods and services can involve significant risks. When public resources are used to acquire goods and services, acquisition processes must be transparent and fair. Transparency and fairness depend on clear communication of needs, articulation of criteria, and unbiased processes for selection of suppliers. Also, Sask Polytech's reputation may be at risk if it does not have transparent and unbiased processes for procuring goods and services.

Furthermore, ineffective competitive processes for procurement can also pose financial risks, which could result in Sask Polytech not obtaining best value for public money in its procurement of goods and services. Alternative procurement methods, such as single- or sole-source[6] procurement and purchase cards, also introduce risks to the process that must be properly evaluated and managed.

Careful management of the above risks is key. To achieve its objectives, Sask Polytech must have effective processes to buy goods and services necessary to deliver its programs.

[5] Saskatchewan Polytechnic. Audited Financial Statements, June 30, 2015.
[6] Sole source is where there is only one possible supplier. Single source is the use of one of multiple possible suppliers without tendering.

3.0   AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Saskatchewan Polytechnic's processes for the procurement of goods and services for the 12-month period ended June 30, 2015. For the purposes of this audit, the procurement of goods and services did not include the purchases of buildings.[7] To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Sask Polytech's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Sask Polytech's management agreed with the criteria (see **Figure 2**).

We examined Sask Polytech's policies and procedures that relate to the procurement of goods and services. We interviewed staff responsible for procuring goods and services, including procurement management, bookstore management, cafeteria management, and library management. To assess the effectiveness of the processes throughout the audit period, we tested a sample of procurement files, contracts, invoices, and purchase card statements.

Figure 2—Audit Criteria

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 supplier 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 suppliers**
   5.1   Validate suppliers
   5.2   Pay suppliers in accordance with written contracts
   5.3   Take internal action on performance problems
   5.4   Report performance problems to supplier

We concluded that for the 12-month period ended June 30, 2015, Saskatchewan Polytechnic had, other than the following, effective processes for the procurement of goods and services. While Sask Polytech had a policy related to procurement, it needs to make its policy apply to all purchases, and have its Board of Directors review and approve it. Also, Sask Polytech needs to consistently document the basis for key decisions regarding tenders, and using single- or sole-source

[7] Purchases of buildings for Sask Polytech are tendered and procured through the Ministry of Central Services.

procurement methods. Furthermore, Sask Polytech needs to take steps to do more to enforce compliance with the procurement policy and provide the Board with periodic reporting on significant procurement activities.

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

4.1 Set Policies for Procurement

4.1.1 Wider Application and Board Approval of Procurement Policies Needed

We expected that Sask Polytech would develop, and the Board would approve, policies for procuring goods and services.

Sask Polytech centrally maintains its policy framework on its website and has a policy governing its procurement activity (procurement policy).[8] The President and Chief Executive Officer (CEO) has approved the procurement policy.

The Board-approved policy on Policy Development and Administration governs Sask Polytech's policy framework. Under this policy, the Board must approve all governance policies that represent high-risk decisions, organizational accountability, or legal requirements. While the CEO has approved the procurement policy, Sask Polytech's Board has not. We found that approval of the procurement policy is inconsistent with Sask Polytech's policy framework as the procurement policy exhibits the characteristics of a governance policy, as defined by the policy framework (i.e., can present significant financial, legal, and reputational risks). As such, the procurement policy should be approved by the Board.

> 1. **We recommend that Saskatchewan Polytechnic's Board of Directors review and approve its policy related to the procurement of goods and services.**

The procurement policy:

❯ Indicates that all acquisitions of goods or services must be properly authorized in accordance with Sask Polytech's management authorities grid. The grid specifies the extent of delegated approval authority for assigned positions (e.g., deans are authorized to approve purchases or contracts up to $100,000). The Board approves the management authorities grid.

❯ Specifies that Procurement Management is responsible for managing all purchasing of goods and services, with the exception of library reference materials (including

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[8] www.saskpolytech.ca/about/about-us/policies.aspx (17 July 2015).

subscriptions to newspapers, magazines, or other periodicals) and items purchased for resale purposes (i.e., bookstore, cafeteria, and ancillary items).

❭ Provides minimum guidelines regarding tendering and quotation requirements (see **Figure 3**) only for purchases that Procurement Management handles.

❭ Sets out when it is appropriate for Procurement Management to use sole or single sourcing as a method of procurement (e.g., specialized or custom designed equipment where there is one recognized product leader).

Figure 3—Minimum Tendering and Quotation Requirements

Dollar Threshold	Procurement Method
Up to $5,000	Based on the employee's knowledge of and experience with the supplier, knowledge of last purchase price, or verbal quotation
Between $5,000 and $10,000	Minimum of three verbal quotations
Between $10,000 and $50,000	Minimum of three written quotations
Over $50,000	Public formal competitive bidding process

Source: Saskatchewan Polytechnic's Procurement Policy and Procedure Statement.

Sask Polytech provides staff with purchase cards ("p-cards") for purchases typically less than $1,000. It has a *Purchase Card Procedural Handbook* (P-card Handbook), a procedure document. The P-card Handbook establishes processes to control and monitor p-card purchases. Examples of key processes include establishing programmed transaction limits, approving p-card monthly statements, and outlining details regarding prohibited purchases (e.g., personal purchases, splitting purchases to bypass transaction limits, alcohol, professional contracted services). We found Sask Polytech's procurement policy does not refer to p-cards or the P-card Handbook.

Also, processes for purchasing within the library, bookstore, and cafeteria located at each campus differ from the processes that Procurement Management must use. Except for significant cafeteria equipment purchases processed by Procurement Management, the library, bookstore, and cafeteria at each campus purchased required goods and services directly. In 2014-15, the library, bookstore, and cafeteria purchased about $7.8 million of goods and services. Given the specific nature of the operations of these areas, they deal with a relatively few suppliers. They often use the single- or sole-source procurement method to buy goods in that often these goods (e.g., textbooks or reference materials related to specific courses that Sask Polytech offers) are available from only a few suppliers. We found Sask Polytech does not have a procurement policy guiding the purchasing activities for these areas on campuses.

At June 2015, Sask Polytech was in the process of revising its procurement policy so that it would apply to all staff engaging in purchasing activities, and to all types of goods and services purchased. However, the draft policy did not explicitly address procurement processes relevant to other areas at campuses such as the library, bookstore, or cafeteria or p-cards.

Lack of a procurement policy that explicitly sets out procurement expectations for all types of purchases increases the risk of inconsistent procurement activities between campuses and of purchasing decisions not meeting Board expectations.

> **2. We recommend that Saskatchewan Polytechnic update its policy related to procuring goods and services so that it applies to all purchases.**

4.1.2 Policies Aligned with External Requirements, Updated, and Communicated

We expected Sask Polytech to align its policies with relevant externally-imposed requirements (e.g., New West Partnership Trade Agreement [NWPTA][9], *Agreement on Internal Trade* [AIT][10]*), periodically update its policies to ensure policies remain current and reflect changing requirements, and communicate its policies to staff.*

We found that the procurement policy appropriately addresses the requirements imposed by both the NWPTA and the AIT.[11]

Also, we found the Board-approved policy on Policy Development and Administration includes specific timeframes for reviewing policies. For example, all policies requiring Board approval are subject to review at least every three years; policies requiring President and CEO approval are subject to review at least every five years. Consistent with this policy, the procurement policy[12] was reviewed within the last five years (i.e., last revision was issued in November 2010) and at June 2015, was under review. Sask Polytech expects to approve a revised procurement policy in late 2015.

We found Sask Polytech uses several means to communicate new and revised policies to staff. First, as noted in **Section 4.1.1**, Sask Polytech maintains all policies on its website. Second, it sends organization-wide emails to students, staff, and Board members on new and revised policies. Third, it requires employees to annually acknowledge that they have read and understand all Sask Polytech policies.

4.1.3 Monitoring and Reporting on Non-Compliance Needed

We expected that Sask Polytech would document its processes for detecting, addressing, and reporting non-compliance with policy. These requirements would keep senior management and the Board informed of significant compliance 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, purchase cards, single or sole source).

The procurement policy requires Procurement Management to provide senior management with an annual report of its single- or sole-source purchases exceeding $75,000. Because the procurement policy currently does not include information on

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[9] The New West Partnership Trade Agreement (NWPTA) is an accord between the governments of British Columbia, Alberta, and Saskatchewan that creates Canada's largest, barrier-free, interprovincial market.
[10] The Agreement on Internal Trade (AIT) 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.
[11] The requirements of the NWPTA differ slightly from those within the AIT. For example, NWPTA requires purchases exceeding $75,000 to 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.
[12] At June 2015, the Procurement Policy was subject to approval of the President and CEO.

library, bookstore or cafeteria single- or sole-source purchases, the report does not include purchases for these areas. As noted in **Section 4.1.1**, we recommend Sask Polytech update its policies so that it applies to all purchases.

Sask Polytech has processes to detect and address non-compliance with established policies and procedures. For example, we found several instances where Procurement Management identified specific p-card transactions in violation of the guidelines set out in the *Purchase Card Procedural Handbook*. While Procurement Management discusses with staff who violate policies (i.e., verbally, via email), it does not formally track or monitor violations. Also, Procurement Management does not provide senior management, or the Board, with information concerning the nature or extent of non-compliance with purchasing policies or procedures.

Non-compliance with procurement policies may expose Sask Polytech to significant financial, legal, and reputational risks. Formally tracking and monitoring violations and non-compliance would enable Procurement Management to develop a trend analysis. Such analysis would be useful in determining common or recurring matters, identifying training requirements and revisions needed to policies and processes, and determining when to apply disciplinary measures to staff who continue to violate policies (e.g., suspension of an employee's p-card). Also, periodic reporting of significant non-compliance to senior management and the Board would inform them as to the effectiveness of existing procurement policies.

3. **We recommend that Saskatchewan Polytechnic implement procedures to track and monitor instances of non-compliance with procurement policies.**

4. **We recommend that Saskatchewan Polytechnic give the Board of Directors periodic reports on significant non-compliance with procurement policies.**

4.2 Define the Need and Specifications for Required Goods and Services

4.2.1 Confirmation of Purchase Requirements Needed

We expected Sask Polytech to define, in writing, the need, specifications, and relevant requirements for goods and services, and to use specifications that support its policies.

All departments throughout Sask Polytech are responsible for identifying the goods and services they require and confirming the availability of funds in the approved budget for the purchases. The requesting department collaborates with Procurement Management to determine the specifications of the goods or services needed. Procurement Management then uses these specifications to communicate with potential suppliers (e.g., obtaining quotes, public tender).

In some instances, Sask Polytech collaborates with external agencies to buy goods and services. For example, Sask Polytech collaborates with the University of Regina and the University of Saskatchewan when buying office supplies, the University of Regina when buying computers, and the Ministry of Central Services when buying printers.

In 2014-15, Procurement Management issued 18 tenders. For the tenders we examined, the purchase specifications for the good or service were sufficiently detailed; the specifications were not overly restrictive to encourage open and effective competition. For one of the 10 tenders we examined, the tender documentation did not properly identify other requirements (e.g., warranty, delivery) associated with the purchase. For this tender, the requesting department had identified the need for ongoing service and knowledge-sharing associated with purchasing equipment, but Procurement Management did not incorporate these requirements into the tender documentation or ask the requesting department to review the tender package prior to making the tender public/available to suppliers (posting). Having the requesting department review the accuracy and completeness of the requirements set out in the tender prior to its posting reduces the risk of missing or misinterpreted requirements. Missing, incorrect, or unintended requirements in posted tenders increases the risk of making incorrect purchases or incurring additional costs with suppliers to correct the specification of the purchase at a later date. This, in turn, may delay the timing of the receipt of the goods or services.

> 5. **We recommend that Saskatchewan Polytechnic require requesting departments to confirm the accuracy of tender requirements prior to Saskatchewan Polytechnic making tenders available to suppliers.**

Sask Polytech uses a request for proposal template. This template supports the procurement policy, which specifies the key external requirements (e.g., NWPTA, AIT) other governing laws, and statutory requirements (e.g., Occupational Health and Safety, requirements for hazardous products). For the tenders we tested, staff used and properly completed this template, where applicable.

As noted in **Section 4.1.1**, other than significant cafeteria equipment, the library, bookstore, and cafeteria located at campuses buy goods and services directly. We found their processes to define their purchasing needs varies and is more informal than purchases handled through Procurement Management. For example, staff within each of these areas collaborate with other staff throughout Sask Polytech's campuses to identify required goods and services. Identified goods and services are processed through orders directly managed by these areas. Staff within the library, bookstore, and cafeteria indicated that:

❯ For the library, program-related support staff determine, through interactions with program leaders and external experts, the library needs of students and make purchases accordingly

❯ For the bookstore, course instructors identify needs for textbooks; for bookstore gift items, bookstore staff identify what to buy and these are bulk purchased amongst all the campuses based on lowest price

❯ For the cafeteria, Culinary Arts program staff identify needs to meet menu and course training requirements

4.3 Obtain Quotations Fairly

4.3.1 Feasible Sources of Supply Identified for Certain Purchases

We expected Sask Polytech to identify feasible sources of supply to meet its identified needs in a way that is fair and transparent. We expected Sask Polytech's processes would ensure those initiating purchases obtain authorization consistent with approved policies.

As described in **Section 4.1.1**, Sask Polytech has a procurement policy that describes acceptable procurement methods for the purchases handled by Procurement Management. For the tenders we examined, the procurement methods used were consistent with the policy and were appropriately approved.

However, as described in **Section 4.1.1**, the procurement policy did not apply to the library, bookstore, or cafeteria. Except for significant cafeteria equipment purchases, the purchases associated with these areas were largely single or sole sourced. In **Section 4.3.3**, we indicate that reasons for the use of this procurement method were not documented.

4.3.2 Tendering Information Shared Appropriately

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

As noted in **Section 4.1.1**, Sask Polytech's procurement policy describes the procurement method that staff must follow according to the established dollar thresholds for purchases managed by Procurement Management. Procurement Management posts tenders on the government's electronic tendering system; using this system ensures all suppliers receive the same information at the same time.

Sask Polytech posts tenders for a minimum of two weeks. Use of a two-week time period allows potential suppliers sufficient time to respond to the request, and to ask questions that they may have. When suppliers ask questions about a tender, Sask Polytech provides its responses to all suppliers involved to ensure all suppliers continue to receive the same information about the tender.

As described in **Section 4.3.1**, other than significant cafeteria equipment purchases, the purchases associated with the library, bookstore, and cafeteria are largely single or sole sourced. Except for cafeteria equipment purchases, there were no tenders associated with these areas during 2014-15.

4.3.3 Single- and Sole-Source Purchases Not Always Justified

To facilitate the fair and equal treatment of suppliers, we expected Sask Polytech to permit single or sole sourcing only in circumstances where tendering is not feasible or economical. Sask Polytech would provide staff with criteria that outlined permissible circumstances. When single or sole sourcing is used, it would require staff to document the reasons for selecting this method of procurement and seek appropriate approval prior to initiating the purchase.

As described in **Section 4.1.1**, the procurement policy sets out when it is appropriate to use single or sole sourcing as a method of procurement. The policy requires staff to document the reasons for selecting this method and obtain prior approval, using Sask Polytech's *Sole, Single Source Justification Form,* prior to initiating the purchase. For approximately 27% of the single- or sole-source procurement that we examined, staff did not fully complete or use the form. Also, for 20% of the items we tested, staff made the single- or sole-source purchases before obtaining formal approval to use this procurement method.

Obtaining approval of the procurement method prior to purchasing goods or services provides the approver with an opportunity to determine whether the stated reasons for using this method of procurement align with Sask Polytech's procurement policy. Validating such alignment helps ensure Sask Polytech gives all potential suppliers equal and fair treatment, meets its externally-imposed procurement requirements (i.e., AIT, NWPTA), and receives the best value.

> 6. **We recommend that Saskatchewan Polytechnic enforce its procurement policy over use of the single- or sole-source procurement method.**

The library, bookstore, and cafeteria located at campuses are not required to use, and do not use, Sask Polytech's *Sole, Single Source Justification Form* to document the reasons for their decision to single- and sole-source purchases. Management indicated that given the nature of operations in these areas, it did not track or monitor the nature or extent of these areas' single- and sole-sourced purchases. As such, the annual report of single- or sole-source purchases exceeding $75,000, described in **Section 4.1.3**, does not include these purchases.

In **Section 4.1.1**, we note that the procurement policy does not apply to the library, bookstore, and cafeteria located at campuses; we think that it should.

4.3.4 Purchase Card Processes Need Improvement

We expected Sask Polytech to establish authorization and documentation controls around the use of purchase cards (p-cards).

At June 2015, Sask Polytech had almost 400 p-cards and made over $3 million of purchases using p-cards in 2014-15.

As described in **Section 4.1.1**, Sask Polytech has a *Purchase Card Procedural Handbook* (Handbook) that establishes processes to control and monitor p-card purchases. The Handbook requires Procurement Management to administer the p-card program, including maintaining all related forms (i.e., cardholder applications and agreements). These forms provide evidence of the approval of the use of a p-card, allowable monthly spending, p-card limit of a cardholder, and a cardholder's acknowledgement of responsibilities for the p-card.

For 20% of the related cardholders for the p-card transactions we tested, Procurement Management did not have the signed p-card application, the p-card agreement, or both on file. In the absence of such documents, Sask Polytech may not know if p-card limits for individuals are appropriate or who approved those spending limits. In addition, it does not show whether cardholders were aware of their responsibilities for p-cards.

7. **We recommend that Saskatchewan Polytechnic maintain purchase card applications and cardholder agreements for all issued and active purchase cards.**

Sask Polytech requires supervisors to review and approve cardholders' monthly p-card statements. For two of the p-card statements we tested, senior managers approved their administrative assistants' p-card statements that included purchases (e.g., conferences, hotels, lunches, membership fees) made on behalf of those managers. As such, the senior managers approved their own transactions for these purchases. For example, we found one senior manager that approved about $23,000 of such transactions during 2014-15. While each of these identified transactions appear to be for reasonable business purposes, lack of approval independent of purchase increases the risk of errors and inappropriate transactions.

8. **We recommend that Saskatchewan Polytechnic prohibit managers from approving purchase card statements that include items purchased on their behalf.**

Other than the above-noted items, we found that all other p-card controls were operating effectively during 2014-15.

4.4 Select Suppliers

4.4.1 Documentation Needed For Tender Evaluation

We expected that Sask Polytech would establish tender evaluation criteria and use it to evaluate potential suppliers for best value. We also expected that Sask Polytech would establish a process to obtain appropriate approval from the requesting department for the supplier selected prior to communicating the selection decision to suppliers involved.

The procurement policy includes evaluation criteria required for every tender (e.g., price, quality, environmental impact, social impact). For 30% of the tenders that we examined,

Procurement Management did not document its evaluation of the tenders. We found that Sask Polytech does not have a standard form for staff to use to evaluate tenders. Not having a standard form increases the risk that tenders are not evaluated consistently or based on the evaluation criteria. It also increases the risk that the evaluations are not well-documented. Without a consistent and transparent evaluation process, Sask Polytech increases the risk that tender evaluations may not incorporate all evaluation criteria required to make appropriate purchasing decisions. A consistent tender evaluation process would help secure best value for Sask Polytech and ensure it treats suppliers fairly.

9. **We recommend that Saskatchewan Polytechnic require the completion of a standard process (e.g., a form) to evaluate tenders.**

In 10% of the tenders we examined, Procurement Management obtained written approval of the selected supplier from the requesting department prior to communicating with suppliers. Procurement Management indicated that for the remaining 90% of the tenders, it received verbal approval prior to communication with suppliers but had no documentation to support this. Without documented approval from the requesting department, it is not clear who participated in the tender evaluation process, and who approved the selected supplier. Documentation increases transparency and allows for ready review of the basis for the supplier selection decision.

10. **We recommend that Saskatchewan Polytechnic require written approval of the selection of suppliers following evaluation of tenders.**

We found that Procurement Management's communication with suppliers was inconsistent. About 20% of the tenders we examined did not have evidence of award or rejection letters sent to suppliers. Formal communication of tender results allows for fair and consistent treatment of suppliers, and provides suppliers with an opportunity to ask and understand why they were not successful in the tender.

11. **We recommend that Saskatchewan Polytechnic formally communicate the results of tenders to all suppliers who responded to tender requests.**

4.4.2 Process for Contractual Agreements Needed

We expected that Sask Polytech would set minimum requirements for when it expects staff to enter into a written contract when purchasing goods or services (e.g., dollar thresholds, timeframe, nature of purchase). Also, it would set out the minimum provisions to include in contracts (e.g., use a standard contract template). The contracts would outline the obligations of each party to the contract and reflect the identified needs of Sask Polytech.

Sask Polytech uses electronic web requisitions to initiate the purchase of goods and services from selected suppliers. An authorized staff member from the requesting

department must approve the web requisition in accordance with the Sask Polytech management authorities grid. Procurement Management creates purchase orders for all properly approved web requisitions.

Sask Polytech uses contracts for procurement, depending on the nature of the goods or services purchased. However, Sask Polytech does not have documentation specifying when use of a contract, as opposed to a purchase order, is required when buying goods or services.

Sask Polytech uses a contract template that includes typical clauses (e.g., payment terms, confidentiality, conflict of interest, termination) for contracts involving the procurement of services. However, it does not have a contract template for procuring goods.

We found that Sask Polytech does not have written guidance to help staff decide when to use a contract and when a contract would require a legal review.[13] Such processes would ensure consistent contracting processes across Sask Polytech.

> **12. We recommend that Saskatchewan Polytechnic establish contract requirements for procuring goods and services.**

4.5   Manage Suppliers

4.5.1 Periodic Review of Financial System Access Needed

We expected Sask Polytech to have a process to verify the validity (i.e., existence, ownership) of suppliers, maintain records of approved suppliers, and sufficiently restrict access to create or edit supplier records (e.g., name, address) within the electronic financial system. We expected it would keep the ability to create, edit, and remove the names and details of suppliers from the financial system separate from the ability to initiate, approve, or record purchases and payables.

Sask Polytech has established processes to restrict the creation of new supplier records within its financial system to only staff that require such access for business reasons. Our review of a user access report that detailed the staff with access to change supplier records within the financial system found the following examples of inappropriate or unneeded access:

❯   10 Financial Services staff with access to change supplier information who did not have responsibilities or duties to make this access necessary

❯   One Financial Services staff member with access to create suppliers within the financial system who did not have responsibilities or duties to make this access necessary

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[13] A legal review of a contract is a lawyer's review of the contract to determine whether the provisions of the contract appropriately mitigates risks to the organization and assigns responsibilities to each party to the contract as intended.

> One former Financial Services staff member with access to create suppliers who transferred to another department several years prior

While none of the identified staff with inappropriate access had the ability to process payments to suppliers, some of these staff had authority to approve payments to suppliers. An individual having both the authority to approve payments and ability to make changes to supplier records increases the risk of irregularity or fraudulent payments.

> **13. We recommend that Saskatchewan Polytechnic periodically confirm that existing users with access to make changes to supplier records within the financial system remains appropriate.**

4.5.2 Suppliers Paid Appropriately

We expected Sask Polytech to confirm goods and services were received consistent with the related contract before paying the supplier (i.e., documenting receipt of goods or services). We also expected Sask Polytech to only pay suppliers in accordance with the terms and conditions associated with purchases (i.e., contract, purchase order, invoice).

Financial Services processes payments to suppliers after it matches invoices to properly approved purchase orders and has verified the receipt of goods and services. Information captured within its financial system facilitates this process.

For the supplier invoices we examined, we found evidence the items were appropriately received, approved, and paid in accordance with the contract, invoice, or purchase order.

4.5.3 Supplier Performance Problems Handled

We expected Sask Polytech to track the performance of suppliers, which would be used to inform future purchasing decisions. We also expected Sask Polytech to establish a process to take internal action on identified supplier performance issues and report issues to suppliers. We also expected Sask Polytech to provide senior management and the Board with key information on supplier non-performance.

While Sask Polytech does not formally track the performance of its suppliers, it has processes to escalate issues concerning the performance of suppliers to Procurement Management. Procurement Management is responsible for addressing performance issues with suppliers for purchases it handles. Similar processes also exist within the library, bookstore, and cafeteria located on campuses for purchases they directly make. We did not identify any significant supplier performance issues during our audit or through discussion with Sask Polytech management. Staff indicated that most performance issues with suppliers are readily resolved, and significant non-performance issues are infrequent.

5.0 SELECTED REFERENCES

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