Chapter 36
University of Regina—Procurement of Goods and Services and Disposal of Surplus Assets

1.0 MAIN POINTS

The University of Regina (University) has spent approximately $75 million in each of the last two years acquiring goods and services including capital asset purchases. 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.

In 2013, we audited 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). By January 2016, the University had made significant improvements to its procurement processes, and processes used to dispose of surplus assets. It had implemented 9 of 13 recommendations we made related to its procurement processes, and all 5 recommendations we made related to its processes of disposing of surplus assets. It was actively working on defining the Board of Governors' procurement reporting needs, coordinating its departments that procure goods and services, establishing sufficient contract documentation requirements, and developing a comprehensive signing authority policy.

2.0 INTRODUCTION

This chapter describes our follow-up of management's actions on recommendations we made in our *2013 Report – Volume 2*, Chapter 32. These recommendations were the result of our audits of the University's processes for the procurement of goods and services, and of its processes for the disposal of surplus assets (e.g., computers, equipment). We made 13 recommendations related to its processes for the procurement of goods and services, and 5 recommendations related to its processes for the disposal of surplus assets.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the University's progress towards meeting our recommendations, we used the relevant criteria from the 2013 audits. The University's management agreed with the criteria in the 2013 audits.

We reviewed and assessed the information provided and discussed actions with key individuals. We examined the University's policies and procedures that relate to the procurement of goods and services and the disposal of surplus assets. We examined tendered procurement files, single and sole source[1] procurement files, purchasing card

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

statements, and computer decommissioning records. We interviewed University staff with key responsibilities for procurement and disposal. We used knowledge obtained from our annual integrated audit of the University.

3.0 STATUS OF RECOMMENDATIONS—GOODS AND SERVICES PROCUREMENT PROCESSES

This section sets out each recommendation related to procurement processes including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at January 31, 2016, and the University's actions up to that date. We found that the University had implemented nine recommendations and was working on the remaining four recommendations related to procurement.

3.1   Procurement Policies Updated

We recommended that the Board of Governors of the University of Regina approve the University's policies related to the procurement of goods and services. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

Effective December 2015, the Board of Governors (Board) approved the University's Purchasing Goods and Services Policy (i.e., purchasing policy). This purchasing policy applies to all University employees, and sets out policies and processes for purchasing goods and services on behalf of the University. The purchasing policy:

❭ Delegates responsibility for providing professional guidance and oversight of all purchases of goods and services to its Supply Management Services (SMS) department

❭ Authorizes Facilities Management (FM) to act on behalf of SMS for the acquisition of land, and the planning, design, construction, maintenance, operations, and decommissioning of all facilities and infrastructure

Since our 2013 audit, the Board also approved the University's Travel Policy. In addition, the Board has appropriately delegated the approval of other procurement-related and expense policies (e.g., Purchasing Cards Policy) to the Vice-President (Administration).

We recommended 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. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

The University has put into place processes to review and update its policies every three to five years, in accordance with its policy framework (i.e., Policy Governance). Since our 2013 audit, the University has updated and appropriately approved all procurement policies. Its updated procurement policies include reference to relevant signing authorities, incorporate relevant aspects of the New West Partnership Trade Agreement,[2] and address documentation requirements surrounding entertainment expenses incurred by staff.

We recommended that the University of Regina implement policies and procedures to identify and address non-compliance with procurement policies. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

Subsequent to our 2013 audit, the University requires all its policies to include a section about consequences for non-compliance with the policy. The University also implemented a Safe Disclosure Policy in December 2013; this Policy provides an avenue for staff who have reasonable grounds to believe someone has violated the law or a University policy or procedure to report the allegation.

Also, the University hired an internal auditor to help identify and address non-compliance. Some of the University's staff also perform reviews to confirm purchases follow policy or research grant requirements. We found that the University was identifying and addressing potential non-compliance with procurement policies.

We recommended that the University of Regina update its Purchasing Card Program Policy to prohibit the payment by purchasing card for legal or other professional services. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

Effective July 2015, the University updated its Purchasing Card Program Policy to state that purchasing cards are not to be used for inappropriate purchases. The updated policy provides examples of inappropriate purchases, including goods and services that require a contract, legal services, and direct employment of individuals.

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[2] 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.

3.2   Reporting on Procurement Needs to be Defined

We recommended that the Board of Governors of the University of Regina define its reporting needs regarding procurement activities including non-compliance with procurement policies. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Partially Implemented

The Board had previously defined its reporting needs regarding the status of major capital projects and continues to receive regular reports regarding such activities. Following our 2013 audit, the University provided the Board with regular updates regarding the status of our procurement recommendations. By January 2016, the Board had not yet defined its reporting needs relating to goods and services procured by SMS.

Regular reporting to the Board helps to ensure effective oversight occurs. Well-defined, regular reporting about key procurement areas of the University is essential to proper stewardship and management of the related financial, legal, and reputational risks.

3.3   Procurement Policies Followed

We recommended that the University of Regina follow its policy requiring appropriate approval for the issuance of all purchasing cards. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

Following our 2013 audit, SMS asked all cardholders to complete a new application form.[3] The application form documents the purchasing card limits for a cardholder (i.e., the maximum amount per transaction and per month that are set for the purchasing card). By requiring all cardholders to complete a new application form, it ensured the established purchasing card limits were appropriate and approved. For a sample of new purchasing cards issued to University staff, we found the application forms were properly authorized before issuance of the purchasing cards.

SMS staff also indicated that they plan to renew all purchasing cards every three years to confirm limits remain appropriate.

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[3] Before the University issues a purchasing card to staff, it requires the cardholder, the department head or dean, and a purchasing card administrator to sign the application form.

We recommended that the University of Regina follow its procurement policies to tender or obtain quotes for procurement of goods and services where required.
(2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

For a sample of items procured by SMS and FM, we found that, in all instances, the procurement policy was followed, and tenders or quotes were obtained as necessary.

We recommended 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 (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

The December 2015 Board-approved purchasing policy requires all single- or sole-source purchases exceeding $3,500 to receive explicit prior approval from SMS. University staff wishing to initiate a single- or sole-source purchase must complete a Competitive Bid Exception (CBE) form.

The CBE form must provide appropriate justification for using the single- or sole-source procurement method, be signed by the person responsible for the relevant budget, and be approved by the Director of SMS before the purchase takes place. Consistent with the University's procurement authority, SMS is to evaluate the CBE request, and determine whether this method of procurement is appropriate in the circumstances.

Staff must also document on the CBE form whether they have completed a Conflict of Interest and Conflict of Commitment form for the current fiscal year, and are expected to identify any potential conflicts. The University's Conflict of Interest and Conflict of Commitment Policy prohibits staff from making purchasing decisions if they have a conflict. The Director of SMS is to determine whether staff appropriately completed this section of the CBE form prior to approving it.

For a sample of single- or sole-source purchases, we found that all were properly approved and had completed CBE forms. These forms justified the purchasing decision and identified any conflicts of interest and conflicts of commitment.

3.4 Entire Project Considered in Procurement Decisions

> We recommended 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. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)
>
> **Status** – Implemented

The December 2015 Board-approved purchasing policy prohibits staff from splitting purchases to avoid the need for a higher level of approval. The policy requires staff to provide SMS (or FM in the case of construction or renovation projects) with the project scope and complete descriptions for all goods or services required. Both of these departments have conversations with staff requesting goods or services to make sure the University considers the entire project when making procurement decisions.

Per our review of contracts and vendor lists from both departments, management appears to be considering the entire project when making procurement decisions (i.e., projects do not have multiple contracts for the same vendor).

3.5 Coordination Process and Improved Written Contractual Agreements Needed

> We recommended 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. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)
>
> **Status** – Partially Implemented

> We recommended that the University of Regina establish sufficient contract documentation requirements for the procurement of goods and services. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)
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> **Status** – Partially Implemented

The December 2015 Board-approved purchasing policy coordinates the departments that procure goods and services. The policy outlines the roles and responsibilities for Executive, SMS, FM, and other University staff. Under the policy, SMS is responsible for approving all single- and sole-source requests. The policy also requires SMS to approve all procurement, except for construction and renovation projects for which FM is responsible.

FM continues to use an insufficient standard contract for purchases for consulting services.[4] FM's standard contract does not include all of the expected terms and conditions (e.g., termination, privacy, confidentiality, severability); whereas the standard contract that SMS uses for consulting services does.

Because the policy was just approved in December 2015, staff within SMS and FM indicated that at January 2016, they have not had a chance to fully coordinate their processes. They indicated that they plan to do so. FM management also indicated that when coordinating processes with SMS, they plan to begin using the standard contract for consulting services used by SMS.

An effective structure and coordinated processes help staff reach optimum procurement solutions, and reduce risks to the University. Also, well-designed contract templates provide organizations with a useful starting point for developing a contract, and help ensure final contracts include key terms and conditions.

3.6   Signing Authorities Policy Under Development

We recommended 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. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Partially Implemented

As of January 31, 2016, the University was developing a comprehensive signing authority policy to address the approval of contracts, invoices, and payments. Management indicated that they expect to obtain Board approval of the policy in July 2016.

3.7   Evaluation of Proposals Documented

We recommended 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. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

The December 2015 Board-approved purchasing policy requires SMS and FM to create, maintain, and manage required records for formal tenders. For a sample of purchases made by SMS and FM, we found sufficient documented analysis and decisions for awarding tenders.

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[4] Our 2013 audit found that contracts we reviewed for other types of purchases were sufficient.

4.0 STATUS OF RECOMMENDATIONS—DISPOSAL OF SURPLUS ASSET PROCESSES

This section sets out each recommendation related to disposal of surplus asset processes including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at January 31, 2016, and the University's actions up to that date. We found that the University had implemented each of the recommendations related to disposal.

4.1 Surplus Asset Disposal Processes Improved

We recommended 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. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

Effective July 2015, the University updated its Management of Assets Policy (i.e., disposal policy) to include criteria for determining when to dispose of assets (i.e., excess, obsolete, damaged, scrap). The policy also sets out the authorizations required to dispose of assets, that is, authorization from the applicable department head. The policy makes SMS responsible for ensuring disposals are properly authorized, and for making arrangements for the disposal of assets.

We recommended that the University of Regina implement policies to identify and address non-compliance with disposal policies. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

The updated disposal policy includes consequences for non-compliance. The policy requires department heads to review missing asset lists, and investigate methods of ensuring fewer assets are identified as missing during future asset counts. We reviewed evidence that the Vice-President (Administration) receives an annual detailed list of University assets that were disposed of or written off, as required by policy.

We recommended 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. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

The updated disposal policy sets out the University's requirements for regular reporting to Executive and the Board. The policy requires the Vice-President (Administration) to receive an annual detailed list of University assets that were disposed of, and to inform the Board of any significant policy violations. The Board formally approved these reporting requirements in a March 2015 Board decision item, and also upon approval of the revised disposal policy in July 2015.

We recommended that the University of Regina ensure that its computers are properly decommissioned before their disposal to prevent unauthorized access to University data. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

When disposing of computers, the University either sells the assets to staff or scraps the assets. The University's updated disposal policy requires the completion of a Data Sanitization Form (Form) when computers are sold to staff. Information Services (IS) staff are to remove all data and software from the computer (decommissioning), and sign the Form to acknowledge completion. For computers that are scrapped, the disposal policy delegates responsibility to IS for properly decommissioning scrapped computer assets by removing and shredding the hard drives. IS maintains records to track the decommissioning of scrapped computers.

For a sample of records for computers disposed of by the University, we found that the University maintained appropriate records indicating that the decommissioning of computers occurred prior to disposal.

We recommended 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. (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

The updated disposal policy makes SMS responsible for ensuring that agreements are in place with charitable organizations accepting donations of the University's surplus assets. SMS is to contact charitable organizations to establish relationships for the donation of assets, and require them to sign a letter each time that surplus assets are donated. The letter states that the charitable organization is to pick up the items, and the items are for donation to the charitable program. We found that when SMS established relationships with charitable organizations for the donation of assets, a letter was signed when surplus assets were donated.