

Chapter 45

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

1.0 MAIN POINTS

Saskatoon School Division No. 13 (Saskatoon Public, Division) buys goods and services as part of its mandate to educate students. To manage its risks, Saskatoon Public requires effective processes to procure goods and services with due regard for obtaining best value for the school division and in a way that is fair and transparent.

In our 2014 audit of Saskatoon Public's processes for the procurement of goods and services, we made 11 recommendations. By June 30, 2016, the Division had significantly improved its procurement processes. It had implemented six recommendations, partially implemented one recommendation, and had not implemented four recommendations.

Saskatoon Public's Board needs to approve key policies related to the procurement of goods and services. The Division also needs to assess the validity of new suppliers, restrict user access to make changes to supplier information within the financial system, and establish processes to appropriately document receipt of goods and services.

2.0 INTRODUCTION

This chapter describes our follow up of management's actions on the recommendations we made in our *2014 Report – Volume 2*, Chapter 38. In that Report, we identified areas where Saskatoon Public could improve its processes for the procurement of goods and services. We made 11 recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Saskatoon Public's progress towards meeting our recommendations, we used the relevant criteria from the 2014 audit. Saskatoon Public's management agreed with the criteria in the 2014 audit.

We examined Saskatoon Public's policies and procedures relating to the procurement of goods and services. We interviewed staff responsible for the procurement of goods and services. To test key aspects of the procurement process, we examined a sample of tender files, invoices, supplier due-diligence checklists, and financial system user access records.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at June 30, 2016, and Saskatoon Public's actions up to that date. We



found that Saskatoon Public had implemented six recommendations and was working on the remaining five recommendations.

3.1 Purchasing Policy Needs Board Approval

We recommended 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. (2014 Report – Volume 2, p. 292; Public Accounts Committee agreement January 13, 2016)

Status – Not Implemented

Saskatoon Public separates its policies into two distinct categories—Board policies and administrative procedures. The Division's administrative procedures address purchasing and purchasing cards.

Consistent with our 2014 audit, the Board of Education (Board) continues to only approve changes to its Board policies, and delegates authority for approval of administrative procedures to the Division's senior management (through its Executive Council and Administrative Council).¹

Senior management approved revisions to the purchasing and purchasing card policies in March 2015. As of August 31, 2016, the Board had not formally approved these revisions.

Board 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.

Management indicated that it expects the Board to approve these policies by the end of 2016.

3.2 Policies and Procedures Improved

We recommended 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. (2014 Report – Volume 2, p. 291; Public Accounts Committee agreement January 13, 2016)

Status – Partially Implemented

¹ 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.

We recommended that Saskatoon School Division No. 13 update its purchasing policies to align with significant externally-imposed requirements. (2014 Report – Volume 2, p. 292; Public Accounts Committee agreement January 13, 2016)

Status – Implemented

We recommended 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. (2014 Report – Volume 2, p. 293; Public Accounts Committee agreement January 13, 2016)

Status – Implemented

We recommended that Saskatoon School Division No. 13 establish guidance for tendering times for receiving bids from potential suppliers. (2014 Report – Volume 2, p. 296; Public Accounts Committee agreement January 13, 2016)

Status – Implemented

We recommended that Saskatoon School Division No. 13 establish minimum contract documentation requirements for the procurement of goods and services. (2014 Report – Volume 2, p. 298; Public Accounts Committee agreement January 13, 2016)

Status – Implemented

As described in **Section 3.1**, Saskatoon Public revised its purchasing policy in March 2015. Revisions to the purchasing policy addressed several recommendations from our 2014 audit, including:

- › A written delegation of authority that sets out the authority for positions involved in the procurement of goods and services. The revised policy specifies that all purchases exceeding \$1,000 must be made through the Purchasing Services Branch (Purchasing Services). The revised policy delegates purchasing authority to budget managers² for purchases up to \$100,000 and requires management to obtain Board approval of purchases exceeding \$100,000.
- › Reference to all significant externally-imposed requirements including the need to comply with the Agreement on Internal Trade³ and the New West Partnership Trade Agreement.⁴

² The Division defines budget managers as specific staff positions that have been given authority to make expenditures from specific budgets (e.g., in schools, the budget manager is always the school principal).

³ 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.

⁴ 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.



- › Assignment of responsibility for identifying and addressing non-compliance with policy to the Manager of Purchasing Services. The revised policy requires reporting of instances of significant non-compliance to the Chief Financial Officer. We found that Purchasing Services was monitoring compliance with the purchasing policy and following up with staff as necessary.
- › Establishment of guidance for tendering times for receiving bids from potential suppliers (ranging from 7 to 21 days depending on the circumstances). The Division considered guidance within the New West Partnership Trade Agreement when revising the purchasing policy in this regard. For a sample of three tender files tested, we found that the tendering times allowed for receiving bids were appropriate.
- › Clarification for when a written contract is required for the purchase of goods or services. The revised policy requires written contracts when the term of the purchase exceeds one year, or includes complex conditions; otherwise, staff can use a purchase order. The revised policy requires the Manager of Purchasing Services to consult with the Division's legal counsel when establishing contract terms and conditions. Legal counsel reviewed the Division's contract templates in June 2015.

As previously noted, Board approval of key organizational policies is essential, as policies set out the Board's expectations for the operations of the organization. Delegation of authority reflects a key operational policy. As indicated in **Section 3.1**, management expects the Board to approve its purchasing policy (including its delegation of authority) by the end of 2016.

3.3 Documentation on Tendering Decisions Retained

We recommended 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. (2014 Report – Volume 2, p. 297; Public Accounts Committee agreement January 13, 2016)

Status – Implemented

We recommended that Saskatoon School Division No. 13 require appropriate written approval be obtained for the selection of suppliers before communicating purchasing decisions with suppliers. (2014 Report – Volume 2, p. 298; Public Accounts Committee agreement January 13, 2016)

Status – Implemented

For a sample of three tender files tested, we found Division staff documented the analysis and decisions for the awarding of tenders and retained the documentation. Also, Purchasing Services obtained written approval of supplier selection from the requesting departments before communicating purchasing decisions to suppliers.

3.4 Supplier Management Needs Improvement

We recommended that Saskatoon School Division No. 13 follow its established procedures for assessing the validity (e.g., existence, ownership) of suppliers. (2014 Report – Volume 2, p. 299; Public Accounts Committee agreement January 13, 2016)

Status – Not Implemented

For six of seven new suppliers tested (86% of our sample), we found that Purchasing Services did not complete its application form or due-diligence checklist. These findings are consistent with our 2014 audit.

If established procedures concerning the review of new suppliers are not adhered to, there is increased risk that inappropriate suppliers may be authorized and created within the financial system. Use of inappropriate suppliers increases the risk of making fraudulent payments.

We recommended 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). (2014 Report – Volume 2, p. 299; Public Accounts Committee agreement January 13, 2016)

Status – Not Implemented

Saskatoon Public's procedures require Purchasing Services staff to make changes to suppliers within the financial system (e.g., create, edit).

For the financial system user access report tested, we found staff who work outside of Purchasing Services (e.g., accounts payable staff), as well as terminated staff, continued to have access to make changes to supplier information (e.g., add new suppliers, change address of an existing supplier).

We found staff outside of Purchasing Services do not need this access to carry out their assigned duties. In addition, granting such access to staff with the ability to approve or enter payments into the financial system is not appropriate as these are incompatible duties. Giving incompatible duties to one individual (e.g., the ability to change suppliers and to record transactions in a financial system) or not promptly removing access from terminated staff increases the risk of fraud and undetected errors.



3.5 Goods and Services Received Not Appropriately Documented

We recommended that Saskatoon School Division No. 13 establish processes to appropriately document receipt of goods and services. (2014 Report – Volume 2, p. 300; Public Accounts Committee agreement January 13, 2016)

Status – Not Implemented

Saskatoon Public has not established processes to document the receipt of goods and services. We found that the Division continues to allow the purchase of goods or services to be received and approved for payment by the same individual (i.e., incompatible duties are not separated). 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).

In addition, as of June 30, 2016, the Division office continued to pay invoices for office supplies before confirming the receipt of the goods with schools. For the 10 months ended June 30, 2016, Saskatoon Public paid \$679,000 to its office supplies vendor. Not confirming receipt of goods before making payment increases the risk of paying for goods it has not received.

Purchasing Services is only informed about inconsistencies between what was ordered and received by the schools on an exception basis.

At July 2016, Division officials indicated the Division was considering using purchasing cards issued to staff throughout the Division to buy office supplies.