

Chapter 45

Saskatchewan Polytechnic—Procuring Goods and Services

1.0 MAIN POINTS

By September 2017, Saskatchewan Polytechnic (Sask Polytech) significantly improved its processes to procure goods and services. It implemented all 13 recommendations. It obtained the Board's approval of an updated procurement policy, better documented preparing for and evaluating tenders, established requirements for the use of contracts, and began reporting instances of non-compliance with procurement policies.

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.

2.0 INTRODUCTION

This chapter describes our first follow up of management's actions on the recommendations we made in our 2015 audit of Sask Polytech's processes to procure goods and services. We concluded that for the 12-month period ended June 30, 2015, Sask Polytech had, other than the matters reflected in the 13 recommendations, effective processes for the procurement of goods and services.¹

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate Sask Polytech's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Sask Polytech's management agreed with the criteria in the original audit.

To carry out our audit, we interviewed Sask Polytech staff, reviewed Board minutes, and tested a sample of purchases to assess compliance with Sask Polytech's procurement policies.

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 September 18, 2017, and Sask Polytech's actions up to that date. We found that Sask Polytech had implemented each of the recommendations.

¹ 2015 Report – Volume 2, Chapter 38.



3.1 Procurement Policy Approved by Board

We recommended that Saskatchewan Polytechnic's Board of Directors review and approve its policy related to the procurement of goods and services. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

We recommended that Saskatchewan Polytechnic update its policy related to procuring goods and services so that it applies to all purchases. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

Sask Polytech's Board approved an updated procurement policy in November 2016. The updated procurement policy applies to all employees engaging in purchasing activities on behalf of Sask Polytech, and to all goods and services purchased with Sask Polytech funds.

3.2 Non-compliance Monitored and Reported

We recommended that Saskatchewan Polytechnic implement procedures to track and monitor instances of non-compliance with procurement policies. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

We recommended that Saskatchewan Polytechnic give the Board of Directors periodic reports on significant non-compliance with procurement policies. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

Sask Polytech's updated procurement policy requires an annual summary report of non-compliance with the procurement policy be provided to senior management and the Board's audit committee.

For significant procurement processes, the procurement department is aware of instances of non-compliance because of its direct involvement with these purchases (e.g., review of justification for every single- or sole-source purchase, managing all tendered purchases). The procurement department also actively monitors instances of non-compliance for purchase card transactions (e.g., missing receipts, inappropriate approval of purchase card statements) and communicates with staff who violate policy.

In September 2017, Sask Polytech drafted its first annual non-compliance report. Management expected to present the report to the audit committee following its presentation to senior management in October 2017.

3.3 Tendering Processes Improved

We recommended that Saskatchewan Polytechnic require requesting departments to confirm the accuracy of tender requirements prior to Saskatchewan Polytechnic making tenders available to suppliers. (2015

Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

We recommended that Saskatchewan Polytechnic require the completion of a standard process (e.g., a form) to evaluate tenders. (2015

Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

We recommended that Saskatchewan Polytechnic require written approval of the selection of suppliers following evaluation of tenders.

(2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

We recommended that Saskatchewan Polytechnic formally communicate the results of tenders to all suppliers who responded to tender requests. (2015 Report – Volume 2; Public Accounts Committee agreement

September 15, 2016)

Status – Implemented

Sask Polytech requires requesting departments to confirm the accuracy of tendering requirements, evaluates tenders using evaluation criteria, requires approval of suppliers following evaluation of tenders, and communicates tender results to all suppliers who responded to tender requests.

For each of the six tenders we tested, we found:

- Requesting departments reviewed the accuracy of tender information and provided the procurement department with approval to publicly post the tender documents
- Tender documents included mandatory supplier requirements and evaluation criteria
- Evaluation committees had met and documented their assessment of the suppliers using the evaluation criteria for the respective tenders
- Sask Polytech communicated the tender results to all suppliers who responded to the tender requests

In regards to approving the selection of suppliers following the evaluation of tenders, we found that the evaluation committees verbally approved the chosen suppliers during their supplier evaluation meetings. While management explained that a member from the procurement department is present at the supplier evaluation meetings, documentation increases transparency and allows for ready review of the basis for the supplier selection decision. To better document supplier selection, the procurement department created a



standard approval form in September 2017 for immediate use. This form requires documentation of the supplier decision date, supplier name, and written approval from a member of the department initiating the tender.

3.4 Procurement Policy Followed

We recommended that Saskatchewan Polytechnic enforce its procurement policy over use of the single- or sole-source procurement method. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

Sask Polytech followed its procurement policy over the use of the single- or sole-source procurement method.

Before purchasing a good or service using the single- or sole-source procurement method, Sask Polytech's procurement policy requires approval of such purchases from the requesting department's out-of-scope manager. The policy also requires the procurement manager to review these purchases.

For each of the 10 single- or sole-source purchases we tested, management documented appropriate justification for using the single- or sole-source procurement method and that the purchases were appropriately approved.

3.5 Purchase Card Processes Improved

We recommended that Saskatchewan Polytechnic maintain purchase card applications and cardholder agreements for all issued and active purchase cards. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

We recommended that Saskatchewan Polytechnic prohibit managers from approving purchase card statements that include items purchased on their behalf. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

Sask Polytech maintains purchase card applications and cardholder agreements for all active purchase cards. Sask Polytech also updated its purchase card policy to prohibit managers from approving purchase card statements that include items purchased on their behalf.

For each of the eight cardholders we tested, Sask Polytech appropriately maintained the purchase card applications and cardholder agreements for these cardholders. Also, for each of the 30 purchase card statements we tested, managers had appropriately approved the purchase card statements.

3.6 Contract Requirements Established

We recommended that Saskatchewan Polytechnic establish contract requirements for procuring goods and services. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

In December 2016, Sask Polytech established requirements for the use of contracts when procuring goods and services.

Sask Polytech updated its procurement procedures in December 2016 to require a written contract when the risk or complexity of a purchase cannot be appropriately addressed through the terms and conditions of the purchase order or request for proposal. Sask Polytech also developed a contract template for service contracts. Sask Polytech's legal counsel performed a legal review² of the contract template prior to its use.

For the tenders we tested, as referred to in **Section 3.3**, Sask Polytech used the contract template for those tenders that required a contract.

3.7 User Access to Supplier Records Confirmed

We recommended that Saskatchewan Polytechnic periodically confirm that existing users with access to make changes to supplier records within the financial system remains appropriate. (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

Sask Polytech annually confirms existing users that have IT access to make changes to supplier records within the financial system remain appropriate. Staff within Sask Polytech's Financial Services division last performed a review of user access to supplier records in June 2017 and confirmed that user access was appropriate.

² A legal review of a contract is a lawyer's review of the contract to determine whether the provisions of the contract appropriately mitigate risks to the organization and assign responsibilities to each party to the contract as intended.

