

## Chapter 10

# Saskatchewan Water Corporation – Purchasing Goods and Services

### 1.0 MAIN POINTS

Over 100 Saskatchewan Water Corporation staff, located throughout the province, are involved in purchasing goods and services. In 2016-17, SaskWater purchased over \$45 million of goods and services.

This chapter sets out the results of our audit on the Saskatchewan Water Corporation's processes to purchase goods or services over \$25 thousand.

In 2017, SaskWater had generally effective processes to purchase goods or services over \$25 thousand. It needs to make improvements in the following areas.

- Clarify its policies over the use of sole sourcing methods of procurement, and report on the use of those methods. Sole sourcing is a non-competitive method of buying goods and services. Clear policies identify when it is appropriate to use this method, and require staff to document reasons for use of non-competitive methods. This helps ensure potential suppliers are treated fairly and consistently.
- Consistently follow its established procurement policies when approving the purchase of goods and services. This includes obtaining prior written approval of the procurement decision, and attaching support for the procurement decision to the invoice submitted for payment. This enables monitoring of compliance with procurement policies.
- Require SaskWater staff involved in buying goods and services to confirm, each year in writing, compliance with its conflict of interest policy. Annual confirmation of staff's compliance with its conflict of interest policy helps reinforce the importance of identifying and avoiding conflicts of interest, and reminds staff to declare conflicts.
- Track supplier performance in a way that makes this information available for future purchasing decisions.

Strong processes to buy goods and services supports transparency, fairness, and achievement of best value in purchasing activities.

### 2.0 INTRODUCTION

#### 2.1 SaskWater's Responsibilities

SaskWater is Saskatchewan's Crown water utility that helps communities, First Nations, and industry gain access to reliable and professional water and wastewater services.<sup>1</sup> Its mandate is to construct, acquire, manage, or operate water works.<sup>2,3</sup>

<sup>1</sup> *Saskatchewan Water Corporation 2016-17 Annual Report*, p. 1.

<sup>2</sup> Section 2 of *The Saskatchewan Water Corporation Act* defines works as infrastructure/facilities used in the supply of water; treatment, storage, transmission, or distribution of water; or collection or treatment of sewage or disposal of sewage effluent.

<sup>3</sup> *The Saskatchewan Water Corporation Act*, section 5.



As of March 31, 2017, SaskWater provides water and wastewater services to 62 communities, 8 rural municipalities, 83 rural pipeline groups, 16 industrial, and approximately 242 commercial and domestic end-user customers. It owns 9 water treatment plants, 3 wastewater facilities, 140 kilometres of canal, 935 kilometres of pipeline, and owns or leases 42 booster and pump stations.<sup>4</sup> These are located throughout the province.

SaskWater's head office is in Moose Jaw. Its staff of about 130 full-time equivalents are located across the province.

## 2.2 SaskWater Purchasing

Under *The Saskatchewan Water Corporation Act*, the Board of Directors is responsible for managing the business and affairs of SaskWater. This includes overseeing the purchase of necessary goods and services.

SaskWater purchases a variety of goods and services including professional services, materials and supplies, and repairs and maintenance. The amount it purchases fluctuates from year-to-year primarily depending on the extent to which it is expanding or maintaining the infrastructure used to deliver its water and wastewater services (e.g., wastewater facilities, pipelines). **Figure 1** shows SaskWater's purchases of goods and services from 2015 to 2017.

**Figure 1 – Three-year History – SaskWater's Purchases**

	2016-17	2015-16	2014-15
	(in millions)		
Capital items & projects	\$ 23.6	\$ 53.3	\$ 75.0
Operations, maintenance & administration	12.7	16.1	11.8
Bulk water purchases <sup>A</sup>	9.1	9.1	6.4
<b>Total</b>	<b>\$ 45.4</b>	<b>\$ 78.5</b>	<b>\$ 93.2</b>

Source: SaskWater financial records.

<sup>A</sup> SaskWater purchases bulk water from municipalities such as the City of Saskatoon and provides it primarily to other municipalities that do not have their own supply of drinking water.

SaskWater has distributed the authority to make purchases throughout the corporation, with over 100 of its staff involved in purchasing goods and services.

Its Business Development & Corporate Services Division is responsible for making purchases related to administration (e.g., office supplies, insurance, audit services and IT services).

Its Operations & Engineering Division is responsible for making purchases related to infrastructure and maintenance. This Division has two units. The Engineering unit is responsible for making purchases related to capital projects (e.g., infrastructure projects); this include purchases with values over \$100 thousand. The Operations unit is responsible for making purchases related to maintenance activities (e.g., repairing water infrastructure).

<sup>4</sup> *Saskatchewan Water Corporation 2016-17 Annual Report*, p. 1.

The Government of Saskatchewan announced in 2016-17 that it expects government agencies, including SaskWater, to reduce and control costs.<sup>5</sup> SaskWater must achieve this while using purchasing processes that are transparent, fair, and achieve best value. Not having solid purchasing processes increases the risk of not using public resources wisely and placing SaskWater's reputation at risk.

### 3.0 AUDIT CONCLUSION

**We concluded that for the 12-month period ended December 31, 2017, the Saskatchewan Water Corporation had, other than for the following areas, effective processes to purchase goods or services over \$25 thousand. SaskWater needs to:**

- **Clarify its policies over sole sourcing procurement methods, require documented rationale for use, and require reporting of sole source transactions to senior management and the Board**
- **Have staff involved in purchasing goods and services confirm, each year in writing, compliance with its conflict of interest policy**
- **Follow its established procurement policies when approving the purchase of goods and services**
- **Track performance problems with suppliers and make the information available for future purchase decisions**

**Figure 2—Audit Objective, Criteria, and Approach**

**Audit Objective:**

The objective of this audit was to assess the effectiveness of the Saskatchewan Water Corporation's processes, for the 12-month period ending December 31, 2017, to purchase goods or services over \$25 thousand.

**Audit Criteria:**

Processes to:

1. Set policies for the purchase of goods and services
  - 1.1 Maintain approved and clear policies for purchasing goods and services, and for monitoring and reporting on compliance
  - 1.2 Align policies with externally-imposed requirements (e.g., New West Partnership Trade Agreement,<sup>A</sup> Agreement on Internal Trade,<sup>B</sup> CIC Crown Sector Procurement Preference Policy)
  - 1.3 Keep staff and suppliers informed of purchasing policies
2. Define the needs and specifications for required goods and services
  - 2.1 Define the need in sufficient detail for suppliers' and agency's understanding (e.g., business plan)
  - 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 agency policies
3. Treat potential suppliers equitably and fairly
  - 3.1 Identify feasible sources of supply
  - 3.2 Document basis of supplier sourcing decision (e.g., sole source, invited bid)
  - 3.3 Obtain appropriate authorization to initiate purchase (e.g., approval to tender)
  - 3.4 Obtain quotations fairly

<sup>5</sup> [www.saskatchewan.ca/government/news-and-media/2016/november/22/mid-year-report](http://www.saskatchewan.ca/government/news-and-media/2016/november/22/mid-year-report) (04 April 2018).



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 prior approval to buy goods and services
  - 4.4 Inform bidders of competitive purchasing decisions
  - 4.5 Obtain written contractual agreements
5. Manage suppliers
  - 5.1 Validate suppliers
  - 5.2 Pay suppliers in accordance with written contracts
  - 5.3 Track performance of key suppliers
  - 5.4 Report performance problems to supplier
  - 5.5 Address supplier performance problems promptly

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Saskatchewan Water Corporation’s processes, we used the above criteria based on our related work, reviews of literature including reports of other audits, and consultations with management. The Saskatchewan Water Corporation’s management agreed with the above criteria.

We examined the Saskatchewan Water Corporation’s policies and procedures that relate to purchasing goods and services for the 12-month period ended December 31, 2017. We interviewed staff responsible for the procurement of goods and services, including senior management. We assessed the Saskatchewan Water Corporation’s purchasing processes by examining procurement files, purchase orders, and invoices. We tested a sample of purchases over \$25 thousand.

<sup>A</sup> The New West Partnership Trade Agreement is an accord between the Governments of British Columbia, Alberta, Manitoba, and Saskatchewan that creates Canada’s largest, barrier-free, interprovincial market. [www.newwestpartnershiptrade.ca/the\\_agreement.asp](http://www.newwestpartnershiptrade.ca/the_agreement.asp) (6 November 2017).

<sup>B</sup> The Agreement on Internal Trade (AIT) is an intergovernmental trade agreement signed by Canadian First Ministers that came into force in 1995. Its purpose is to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investment within Canada to establish an open, efficient, and stable domestic market. [www.ait-aci.ca/wp-content/uploads/2017/06/Consolidated-with-14th-Protocol-final-draft.pdf](http://www.ait-aci.ca/wp-content/uploads/2017/06/Consolidated-with-14th-Protocol-final-draft.pdf) (6 November 2017).

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Policies for Purchasing Goods and Services Comprehensive, With A Few Revisions Needed

SaskWater’s procurement policies are current and comprehensive, other than for use of the sole sourcing method of procurement.

#### Procurement Methods Clearly Defined

SaskWater’s procurement policies set out the procurement methods it expects staff to use when buying goods and services. The policies require the use of competitive procurement methods for purchases over specified dollar amounts.

For example, the procurement policy requires:

- For goods and services estimated at \$10 million or greater, and construction estimated at \$20 million or more, use of a multi-stage procurement process and contracts<sup>6</sup>

<sup>6</sup> Multi-stage procurement process requires the use of a pre-qualification stage to select the supplier. This is the preliminary stage in a bidding process where it is determined if an interested supplier has the capacity, qualifications, and expertise needed to complete the job as required. Only potential suppliers that meet the requirements set out at this stage proceed to the next stage (request for proposal).

- For contractual services estimated at \$100 thousand or over, procurement opportunity must be posted on SaskTenders<sup>7</sup>
- For contractual services between \$25 thousand to under \$100 thousand, three quotes/proposals (where possible)
- For goods over \$25 thousand, a public tender using SaskTenders

For other purchases, staff can select the desired procurement method. For example, they can use p-cards (corporate credit cards), purchase orders, or sole sourcing for goods costing less than \$25 thousand. SaskWater uses the term sole sourcing to describe both sole or single sourcing.<sup>8</sup>

The policy indicates all procurement shall be based on the best value approach. The best value approach requires consideration of all factors, not just price, in making purchase decisions. Factors include cost, supplier timeframe to provide goods or complete the project, and past experience with the supplier (e.g., quality of work, was the project on time and budget).

In addition, we found its procurement policies align with external requirements (e.g., New West Partnership Trade Agreement, Agreement on Internal Trade, Priority Saskatchewan Policy, CIC sector policies, etc.).<sup>9</sup>

### **Delegation of Authority to Approve Purchases and Monitor Compliance with Procurement Policies Clear**

SaskWater has given staff clear authority to make purchases (including approval of the selected procurement method and supplier). In addition, it assigns, in writing, responsibilities to specific positions for monitoring compliance with procurement policies.

It gives specified staff positions within each of its Divisions and its Financial Services Branch the authority to initiate and approve the purchase of goods and services. It appropriately bases their authority on the estimated value of the goods and services to be bought at the time of purchasing decisions.

For example, the Vice Presidents of Business Development & Corporate Services and Operations & Engineering can approve the purchase of goods and services with values up to \$100 thousand. The President approves purchases in excess of \$100 thousand. It requires the Board to approve any changes to these authorization limits. We found that the Board approved the policy as expected.

### **Policies Kept Current and Readily Available**

SaskWater periodically reviews and updates its policies.

<sup>7</sup> The Ministry of Central Services administers the SaskTenders website ([www.sasktenders.ca](http://www.sasktenders.ca)).

<sup>8</sup> The Chartered Institute of Procurement and Supply defines single source as purposely choosing a single supplier even though others are available (e.g., small purchases, emergency purchases). Sole source is when only one supplier for the required item is available. SaskWater uses the term sole source to include both situations. [www.cips.org/en-sg/knowledge/procurement-topics-and-skills/strategy-policy/models-sc-sourcing--procurement-costs/single-sourcing-vs-sole-sourcing/](http://www.cips.org/en-sg/knowledge/procurement-topics-and-skills/strategy-policy/models-sc-sourcing--procurement-costs/single-sourcing-vs-sole-sourcing/) (28 March 2018).

<sup>9</sup> SaskWater is a subsidiary of the Crown Investments Corporation of Saskatchewan (CIC) and is subject to CIC policies.



We found that SaskWater’s procurement policies were current. For example, SaskWater last updated its procurement policy in 2016 to include Priority Saskatchewan’s requirement to use the best-value approach when buying goods and services.<sup>10</sup>

For any changes to its policies, SaskWater informs staff promptly (e.g., by email) and trains them on key changes.

SaskWater makes its policies and procedures documents readily available for staff on its internal website.

SaskWater makes policies relevant to suppliers (e.g., vendor code of conduct and conflict of interest) available on its website, and provides a link to the SaskTenders website.<sup>11</sup> This website facilitates government purchases of goods and services that use a competitive process.

In addition, SaskTenders makes copies of government-wide policies on tendering publicly available. For example, it includes copies of the government’s best value procurement policy, procurement code of conduct policy, and vendor debriefing policy. SaskWater uses SaskTenders to make purchases that use a competitive method of purchase (e.g., tenders, requesting multiple quotes).

### **Clearer Direction on Use of Sole Sourcing Procurement Method Needed**

SaskWater’s procurement policy does not provide sufficient guidance on use of sole sourcing to facilitate appropriate use of this procurement method. In addition, staff are not always selecting the sole sourcing method of procurement consistent with the policy, or documenting the basis for selecting this method.

Consistent with good procurement practice, SaskWater limits the use of the sole sourcing as a method of procurement to the following situations:

- For goods and contractual services below \$25 thousand
- To engage consultants for services less than \$25 thousand for small projects, routine and repetitive work, where there is only one firm in the province or region supplying the service required; or where a firm has previously been involved in the work and has established knowledge of the project
- In emergency circumstances with no expenditure limitations, subject to internal approval as set out in its delegation of authority<sup>12</sup>

SaskWater does not provide further guidance either in its policy or elsewhere as to what constitutes emergency circumstances.

For 7 of the 11 purchases (each over \$25 thousand) we tested that were made using the sole sourcing procurement method, rationale for the use of sole sourcing procurement method was not attached to the purchase order submitted for approval of the purchase, or to information supporting the related request for payment.

<sup>10</sup> Priority Saskatchewan is a branch of SaskBuilds Corporation that is responsible for ensuring procurement across ministries and the Crown sector is fair, open, transparent, and based on international best practice.

<sup>11</sup> Information for suppliers is at [www.saskwater.com/services/industry\\_and\\_partners/information\\_for\\_vendors.php](http://www.saskwater.com/services/industry_and_partners/information_for_vendors.php) (05 April 2018).

<sup>12</sup> SaskWater Goods and Services Procurement Policy, p. 4.

Although each of these purchase orders were approved consistent with SaskWater's delegation of authority, the individual approving the purchase did not have the rationale for the selection of the procurement method when approving the order. Upon our request, staff subsequently provided us with its documentation to support their procurement method decision.

In addition, for 2 out of the above 7 purchases (each over \$25 thousand), in our view, use of the sole sourcing method was not consistent with SaskWater's procurement policy (i.e., not an emergency purchase). We found:

- One purchase was for cleanup work related to a booster station. Management told us that if work was not completed within the next few months, there was a risk that water flow would be reduced.
- One purchase was for a factory rebuild of equipment (pump). Supporting information only noted that rebuild was less costly than replacement.

For both of these purchases, SaskWater did not have evidence of emergency circumstances, and as such, the basis for using sole sourcing.

Not having written guidance on emergency circumstances increases the risk of inappropriately selecting the sole sourcing method of procurement. Use of sole sourcing (a non-competitive procurement method) does not necessarily result in best value and may not comply with external purchasing requirements (e.g., New West Partnership Trade Agreement, Agreement on Internal Trade).

**1. We recommend that the Saskatchewan Water Corporation clarify its procurement policy to set out when it is appropriate to use the sole sourcing method of procurement.**

We noted SaskWater's procurement policy does not specifically require staff to document their reasons for selecting non-competitive procurement methods (purchases that have been sole sourced) for purchases of goods or services of over \$25 thousand. Without documented rationale, the individual responsible for approving the purchase order cannot properly review the procurement method decision. Also, this impedes the ability of those assigned responsibility to monitor compliance with procurement policies to fulfill their assigned monitoring role.

**2. We recommend that the Saskatchewan Water Corporation require staff to include documented rationale for selecting non-competitive procurement methods for purchases over \$25 thousand on purchase orders submitted for approval.**

In addition, SaskWater's procurement policy does not specify a requirement to track, monitor, and report on sole source transactions. Given these transactions do not give suppliers an equal chance to provide a good or service, it is important to monitor sole source purchases to ensure that they are appropriate.

Without this, management or the Board may not be aware of the level of use of sole sourcing and may not know if these transactions align with SaskWater's procurement policies. An excess number of these transactions may indicate a potential bias in the selection of suppliers providing goods and/or services to SaskWater.



3. We recommend that the Saskatchewan Water Corporation require its staff to report regularly on purchases using sole sourcing to senior management and the Board.

## 4.2 Confirmation of Staff Compliance with Conflict of Interest Policy Needed

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SaskWater does not require its purchasing staff to periodically disclose potential conflicts of interest, or confirm, in writing, that they have complied with its conflict of interest policy.

SaskWater's conflict of interest policy documents employee responsibilities and disclosure requirements. The policy requires its employees to disclose potential conflicts of interest:

- Upon commencing employment, and
- When they become aware of them during employment

Inconsistent with good practice, SaskWater does not require staff to annually confirm, in writing, their awareness of the conflict of interest policy, or that they have complied with it. None of the documentation of the 43 purchases we tested (each over \$25 thousand) had any indications of a conflict of interest.

As previously noted, over 100 SaskWater staff are involved in purchasing goods and services. Many of these are long-term employees.

Annual confirmation helps remind staff of the policy and reinforces its importance. Without periodic confirmation, there is a risk that potential conflict of interest situations may arise and staff may forget to identify or disclose them. Failure to identify and resolve conflicts of interest may result in staff making purchase decisions that do not treat all potential suppliers equitably and fairly. This increases the risk of loss of suppliers' and the public's confidence in SaskWater's procurement process.

4. We recommend that the Saskatchewan Water Corporation require staff involved in purchasing goods and services to confirm, each year in writing, compliance with its conflict-of-interest policy.

## 4.3 Needs and Specifications for Required Goods and Services Adequately Defined

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SaskWater has a well-defined process to determine its purchasing needs and to define the specifications for those purchases.

SaskWater uses maintenance plans to assist it in determining when it requires certain goods and services. For example, the maintenance plan sets out when pumps used in its pipelines are to be replaced. In addition, it has five-year capital expenditure forecasts that set out its estimated costs of maintenance and capital projects.

Senior management and the Board receive updated forecasts each quarter.



In addition, SaskWater has templates to support each of its different types of procurement methods (e.g., purchase orders, request for qualifications, request for proposals, request for quotes). It makes these templates available on its internal website. These templates assist SaskWater's employees in clearly documenting its purchasing needs.

We found these templates aligned with SaskWater's purchasing policies, and staff used them as intended.

In addition, for tendered purchases, SaskWater requires review and approval of the tender package prior to posting it on the SaskTenders website. This review assesses if needs are adequately defined and the purchase meets SaskWater's policy.

For all five tendered purchases we tested, the tender package was appropriately reviewed and approved by staff in accordance with the delegation of authority.

For the five contract items, the six purchase order items, and the three long-term contracts we tested (each over \$25 thousand), SaskWater adequately set out specifications and other requirements (e.g., warranty, delivery, etc.) using the appropriate template. The specified requirements were in sufficient detail for the potential suppliers' understanding and were not overly restrictive.

#### **4.4 Contract Templates Need Periodic Review**

SaskWater does not have its contract templates periodically reviewed by legal counsel to confirm their currency.

SaskWater's contract templates (e.g., long-form contract, short-form contract) were last reviewed when they were initially prepared (over ten years ago). Management notes that when individual contracts differ significantly from the contract templates, it consults with its legal counsel to determine if the amendments are suitable prior to finalizing the contract. However, these requests are not a comprehensive review of the template.

Having templates for standard wording for contracts is good practice, and helps ensure consistent inclusion of key terms and conditions when entering into contractual arrangements.

However, situations and circumstances can arise (such as changes in interprovincial trading requirements, or changes in contract law) that can make standard provision wording in contract templates outdated. Outdated wording in contracts may pose business risks. Having legal counsel periodically review templates (e.g., every five years) minimizes those risks.

**5. We recommend that the Saskatchewan Water Corporation have periodic legal reviews of its contract templates for purchases.**

#### **4.5 Procurement Policy Not Always Followed**

SaskWater did not always follow its procurement policies when purchasing goods and services.



We found:

- For 1 out of the 43 purchases (each over \$25 thousand) we tested, the purchase order was not approved by the appropriate staff level. The dollar value of the purchase was higher than the assigned authority of that individual.
- For 5 of the 15 purchases made through purchase orders (each over \$25 thousand) that we tested, SaskWater approved the purchase order after goods and services were received instead of before as its policy requires.
- For 4 purchases (2 tenders and 2 requests for quotes, each over \$25 thousand) we tested, evidence that SaskWater's procurement policy was followed (e.g., evidence that SaskWater obtained three quotes, evidence that the best value approach was used) was not attached to the purchase order submitted for approval of the purchase, or to information supporting the related request for payment.

For all of these purchases, SaskWater's processing of payments did not identify non-compliance with SaskWater's procurement policy.

When purchases are not approved by the appropriate authority, there is a risk that purchases may not follow all SaskWater's approved processes, may not be appropriate in the circumstances, and may not attain best value. Without the appropriate approval before the purchase is made, there is a risk that SaskWater may be committed to purchasing a good or service that it did not authorize or that may not align to its procurement policies.

Furthermore, without having documented rationale of key purchasing decisions, the individual responsible for making the purchase decision (e.g., approving the selection of a supplier) cannot properly review the request. This impedes the ability of those assigned responsibility to monitor compliance with procurement policies to fulfill their assigned monitoring role.

6. We recommend that the Saskatchewan Water Corporation follow established procurement policies when approving the purchase of goods and services.

## 4.6 Tenders Used Consistent with Policy

SaskWater used tenders consistent with its procurement policy. As shown in **Figure 3**, it had well-defined processes to evaluate tenders, formally document evaluation decisions, and notify bidders of supplier selection.

**Figure 3—Brief Description of Process to Evaluate Bids and Notify Bidders**

Evaluate Supplier Bids: SaskWater uses internal department experts or third party consulting firms to evaluate supplier bids received. The evaluators use the evaluation criteria set out in the tender documents to evaluate the supplier bids. Once the evaluations are complete, SaskWater documents its evaluation including documenting the bidder's evaluation scores, the successful bidder, the contract price, and the rationale for the selection of the successful bidder. SaskWater summarizes all of the evaluation information in a memo and seeks approval at the level set out in its delegation of authority.

Notification of bidders: Subsequent to the approval of the memo, SaskWater notifies both the successful bidder and the unsuccessful bidders of its decision. Upon request, SaskWater also provides the unsuccessful bidders with a debrief session. This session provides feedback on their bid submission (e.g.,

strengths, weaknesses, areas of improvement, etc.). SaskWater provides its staff with written guidance for holding debrief sessions. SaskWater does not retain documentation of the debrief sessions held.

SaskWater retains the tender documentation in accordance with its record retention policy.

SaskWater prepares contracts for all tendered procurements using standard contract templates.

For the five tenders (i.e., request for proposals) we tested, we found:

- The procurement methods used were consistent with policy and appropriate approval occurred prior to communicating with the preferred supplier (i.e., vendor with highest evaluation score).
- SaskWater used SaskTenders to communicate procurement information to potential bidders.
- SaskWater provided potential bidders with sufficient information to bid including setting out specifications, technical requirements, timelines, evaluation criteria, terms of reference, etc. We found the information provided had sufficient detail to encourage open and effective competition.
- SaskWater gave potential suppliers sufficient time to submit their bids. While SaskWater's policy does not include guidance on the timeframes to submit bids, management indicated that they were in the process of revising the policy to include this.
- SaskWater used an evaluation checklist, which aligned with the requirements set out in the request for proposal.
- SaskWater notified both the successful bidder and the unsuccessful bidders of its selection decision, in writing, on timely basis.
- SaskWater appropriately approved the contract.

Four of the five tenders we examined required a multi-stage process (as described in **Section 4.1**). We found that SaskWater followed its policy for these types of procurements.

## 4.7 Validity of Suppliers Adequately Confirmed

SaskWater has adequate processes to confirm validity of suppliers prior to using them.

SaskWater performs checks to verify the validity of the suppliers (e.g., Information Services Corporation search, internet search) before approving contracts with them and registering them into its vendor database.<sup>13</sup> The vendor database contains details about each supplier (name, address, key contact information, type of business) and is used for issuing purchase orders and paying suppliers.

SaskWater appropriately limits user access to its vendor database. Once a year, SaskWater staff reviews its vendor database to ensure all changes had the appropriate approval.

<sup>13</sup> Information Services Corporation maintains a corporate registry of legal entities, businesses, and non-profit organizations registered in Saskatchewan.



## 4.8 Suppliers Paid Appropriately

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SaskWater paid its suppliers consistent with approved purchase orders and contracts.

SaskWater's Corporate Services Division processes supplier invoices. It paid suppliers after it matched invoices to approved purchase orders/contracts, and verified the receipt of goods and/or services.

SaskWater documents compliance with contracts for projects through sign-off of a progress payment certificate by an engineer. This signed certificate verifies the level of completion of the project and that the progress is in accordance with the terms and conditions in the contract. SaskWater uses the signed certificate as the basis of payment. If performance issues exist, the engineer does not sign the certificate, and SaskWater does not make payment until the issues are resolved.

Where SaskWater needs to make changes to the work specified in the original contract, SaskWater requires a change order approved consistent with its delegation of authority.

For all 43 of the supplier invoices we tested, goods and services were received, and appropriately paid for.

However, as noted in **Section 4.5**, SaskWater is not identifying non-compliance with its procurement policies when processing payments. Also as noted in **Section 4.5**, we found:

- One instance where the purchase order was not approved by the appropriate level
- Five instances where the purchase order was approved after the goods and services were received
- Four instances where the invoice submitted for payment did not include evidence that quotes were obtained consistent with SaskWater's procurement policy.

SaskWater expects staff to monitor compliance with procurement policies. Staff responsible for processing payments can play an important role in detecting non-compliance with procurement policies and reinforcing their importance. See **Recommendation 6** about following established procurement policies.

For all five contracts (each over \$25 thousand) that we tested, all had approved progress payment certificates. One of those five contracts required a change order. We found SaskWater properly approved the change order.

## 4.9 Suppliers Managed but Performance Tracking Needed

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SaskWater has processes to appropriately deal with supplier performance issues, but it does not formally track their performance.

For other than projects, SaskWater primarily relies on its process to receive goods and services to detect supplier performance issues. For projects, engineers assigned to the project monitor the performance of the supplier.

SaskWater escalates issues concerning the performance of its suppliers, if any. Escalation procedures include raising the issue with senior management. If the compliance or performance issue cannot be readily resolved, the President informs the Board through a written President's report. President reports are provided at each Board meeting.

If the issue requires an increase in budget, management must obtain prior Board approval. It makes requests to the Board, in writing, detailing the issue and the required budget increase.

None of the purchases we tested had significant supplier performance problems. Management noted that issues with supplier performance on purchases over \$25 thousand are infrequent.

Management identified two 2017 projects with significant performance problems. We found SaskWater dealt with these appropriately. In both instances, SaskWater issued a Notice of Non-Compliance to each contractor. In both instances, each contractor took corrective action and eventually completed the work to a satisfactory level. SaskWater staff kept senior management and the Board appropriately informed.

However, SaskWater does not track supplier performance issues in a centralized location (e.g., a spreadsheet).

Not tracking supplier performance centrally increases the risk that SaskWater uses suppliers with known performance problems and is contrary to the best values approach. The use of a best values approach requires consideration of past supplier performance. With staff located throughout the province initiating purchasing, centrally keeping and making information available on suppliers' performance would enable SaskWater to use this information when making future procurement decisions.

**7. We recommend that the Saskatchewan Water Corporation track performance problems with suppliers in a way that this information is available to staff making purchasing decisions.**

## 5.0 SELECTED REFERENCES

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