

Chapter 44

Saskatoon School Division No. 13—Procuring Goods and Services

1.0 MAIN POINTS

Saskatoon School Division No. 13 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.

By August 2018, Saskatoon Public improved its procurement processes by implementing four of the five remaining recommendations we made in our 2014 audit of this area. The Board approved a purchasing policy that sets out the Division's procurement processes and delegation of authority for procuring goods and services. The Division restricted those users who can change supplier information within the financial system, and established processes to appropriately document the receipt of goods and services.

However, Saskatoon Public continued to not consistently assess the validity of new suppliers, as it expects. Not following its established procedures to check the validity of new suppliers increases the risk of having inappropriate suppliers within the financial IT system. Use of inappropriate suppliers increases the risk of making fraudulent payments.

2.0 INTRODUCTION

Saskatoon Public is the largest school division in the province, educating close to 25,000 students annually.¹ School divisions use public resources to acquire goods and services as part of their mandate to provide education to students. School divisions must manage the acquisition of goods and services so that processes are both transparent and display fairness. Ineffective procurement processes could result in the Division not obtaining best value for public money. Saskatoon Public's reputation may be at risk if it does not have effective processes for procuring goods and securing services.

In its 2016-17 audited consolidated financial statements for the year ended August 30, 2017, Saskatoon Public reported spending \$43.9 million on goods and services (2015-16: \$43.9 million).²

This chapter describes our second follow-up of Saskatoon Public's actions on recommendations we first made in 2014. Our *2014 Report – Volume 2*, Chapter 38 identified areas where the Division could improve its procurement processes. We made 11 recommendations. By June 30, 2016, the Division had implemented six recommendations, partially implemented one recommendation, and had not implemented four recommendations.³

¹ *Saskatoon Public Schools 2016-17 Annual Report*, p. 3.

² *Ibid.*, p. 74.

³ *2016 Report – Volume 2*, Chapter 45.



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

In this follow-up 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 reviewed the financial system’s user access records, and tested a sample of supplier due-diligence checklists.

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 August 24, 2018, and the Division’s actions up to that date.

We found that Saskatoon Public had implemented four recommendations and was working on the remaining recommendation.

3.1 Policies Approved by Board

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 – Implemented

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 – Implemented

In September 2017, the Board approved a purchasing policy adopting the processes and delegation of authority as set out in the Division’s administrative procedures. Our 2014 and 2016 audit work found the Division purchased goods and services in accordance with these administrative procedures.⁴

The Board policy also strengthened the Division’s procurement processes by setting out:

- The Division’s procurement principles (e.g., best value, transparency, fairness)
- Assignment of responsibility for the management of procurement services

⁴ 2014 Report – Volume 2, Chapter 38 and 2016 Report – Volume 2, Chapter 45.

- Reporting of significant procurement compliance concerns to the Board's Audit and Risk Committee
- Required compliance of all procurement activity with the New West Partnership Trade Agreement and the Canadian Free Trade Agreement^{5,6}

3.2 Process to Document Receipt of Goods and Services Established

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 September 21, 2017)

Status – Intent of Recommendation Implemented

In August 2018, the Division established a process requiring staff responsible for receiving goods and services to document receipt by initialling the invoice before forwarding the invoice to the appropriate manager for approval. The Division communicated this process change to all staff responsible for receiving goods. It plans to update the Division's related administrative procedures as a result.

Prior to August 2018, the Division allowed the same individual to approve the purchase of and receive goods or services (i.e., did not separate incompatible duties).⁷ 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, the Division assessed the risk of it not documenting the receipt of office supplies as acceptably low. It plans to continue with its current practice of paying invoices for office supplies without confirming the receipt of the goods with schools. Each year, the Division buys over \$650,000 of office supplies (about 1.5% of its annual spending). Management formally documented its risk assessment in June 2018 and informed the Board's Audit and Risk Committee of its plans in September 2018. The Committee accepted management's assessment and plans.

Based on our review of management's formal risk assessment and the Audit and Risk Committee's acceptance of this risk along with actions to properly document receipt of non-office supply goods and services, we deem the intent of this recommendation to be implemented.

⁵ 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 (31 July 2018).

⁶ The Canadian Free Trade Agreement is an intergovernmental trade agreement signed by Canadian Ministers that came into force on July 1, 2017. Its purpose is to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investments within Canada to establish an open, efficient, and stable domestic market. www.cfta-alec.ca (31 July 2018).

⁷ Incompatible duties are job duties that place an employee or department in a position to commit and conceal errors or wrongdoings in the normal course of his or her duties. For examples, an employee who approves an item for purchase should not receive the item; an employee who approves invoices for payment should not reconcile a bank account.



3.3 User Access Reviewed

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 – Implemented

By August 2018, the Division reviewed and updated access of users to change suppliers within its financial IT system (e.g., add or delete suppliers, or change supplier address). Our review of the financial system found that user access to change suppliers was appropriate.

In addition, in August 2018 the Purchasing Department updated its year-end checklist to include the assessment of user access on an annual basis to make sure the review takes place.

3.4 Validity of Suppliers Not Consistently Assessed

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 two of five new suppliers tested, we found that Purchasing Services did not complete the application form or the due-diligence checklist as the Division expects.⁸ These findings are consistent with our 2014 and 2016 audits.

Management indicated the Division plans to implement a monthly process to monitor new suppliers so that it can consistently assess the validity of new suppliers.

Not following established procedures about the review of new suppliers increases the risk of authorizing or creating inappropriate suppliers within the financial IT system. Use of inappropriate suppliers increases the risk of making fraudulent payments.

⁸The Division requires all new suppliers to complete an application form, which Purchasing Services uses to complete a supplier due-diligence checklist. The Division uses this checklist to assess the validity of new suppliers (e.g., searching for a supplier website, observing the supplier's office, searching the phone book).