

## Chapter 38

# SaskTel—Purchasing Fibre Optic Network Upgrade and Other Network Hardware

### 1.0 MAIN POINTS

SaskTel improved its processes to purchase goods and services related to its fibre optic network upgrade and other network hardware.

By January 2019, SaskTel had implemented the four recommendations from our 2017 audit. SaskTel improved processes for resolving supplier performance issues, and using supplier feedback. SaskTel also revised forms so that it logged the names of staff involved in evaluating purchase proposals. In addition, it revised its process to properly authorize successive purchases of materials where amounts exceed initial approval thresholds.

Having strong processes to buy goods and services decreases the risk SaskTel may not be transparent, fair, and achieve best value.

### 2.0 INTRODUCTION

#### 2.1 Background

SaskTel and its wholly-owned subsidiaries offer a wide range of information and communications technology products and services including competitive voice, data and internet services; wireless data services; maxTV services; data centre services; cloud-based services; security monitoring services; advertising services; and international software and consulting services.<sup>1</sup>

*The Saskatchewan Telecommunications Act (s. 9) outlines the purpose of SaskTel, which includes the construction, maintenance and operation of a telecommunication system.*

In 2018-19, SaskTel purchased approximately \$103 million of equipment and related services for its fibre optic network upgrade and other network hardware.

#### 2.2 Focus of Follow-Up Audit

This is our first follow-up audit of recommendations we made in our 2017 audit of SaskTel's processes to purchase goods and services related to its fibre optic network upgrade and other network hardware.

Our *2017 Report – Volume 1*, Chapter 13 concluded that for the 12-month period ended December 31, 2016, SaskTel had, except in the areas of our four recommendations, effective processes to purchase goods and services related to the fibre optic network upgrade and other network hardware.

<sup>1</sup> [www.sasktel.com/about-us/company-info/company-information](http://www.sasktel.com/about-us/company-info/company-information) (13 February 2019).



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

To perform this follow-up audit, we reviewed policies, and tested a sample of tenders and purchase orders for stocked materials related to the fibre optic network upgrade and other network hardware. We examined SaskTel's processes to track supplier feedback. We also interviewed SaskTel staff responsible for purchasing goods and services.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Crown and Central Agencies agreed to the recommendation, the status of the recommendation at January 29, 2019, and SaskTel's actions up to that date.

### 3.1 Processes to Resolve Supplier Performance Issues Established

***We recommended that SaskTel provide written guidance for resolving supplier performance issues.*** (2017 Report – Volume 1, p. 186, Recommendation 1; Crown and Central Agencies Committee agreement June 20, 2018)

**Status** – Implemented

SaskTel provided staff with written guidance for resolving supplier performance issues.

SaskTel updated its procurement policy in February 2018 to include a section about how to resolve contract performance issues and disputes. SaskTel communicated the new guidance to staff through its intranet and emails to staff. SaskTel also incorporated the change to the procurement policy into training it provides quarterly to staff.

For the only significant contract performance issue SaskTel identified since our 2017 audit, we reviewed evidence that SaskTel followed its written guidance for resolving supplier performance issues.

Having written guidance for resolving supplier issues decreases the risk of staff not treating suppliers consistently. It can also facilitate consistent communication to suppliers about performance problems and implications of providing SaskTel with poor performance.

***We recommended that SaskTel track supplier feedback to inform purchasing process improvements.*** (2017 Report – Volume 1, p. 191, Recommendation 4; Crown and Central Agencies Committee agreement June 20, 2018)

**Status** – Implemented

SaskTel tracks supplier feedback to inform purchasing process improvements.

In May 2017, SaskTel created a supplier feedback spreadsheet where procurement managers document their debrief sessions with suppliers. We found that procurement managers document sufficient information. They document the date of the debrief, the individuals involved, the feedback provided to the supplier, and the feedback from the supplier on the procurement process. SaskTel reviews the spreadsheet monthly, and makes improvements to the procurement process, as needed.

Documenting the feedback from suppliers provides SaskTel with more information to improve its best-value purchase decisions, and improves its purchasing process.

### 3.2 Names of Staff Evaluating Proposals Documented

***We recommended that SaskTel, for each competitive purchase, log the names of staff evaluating proposals from potential suppliers.*** (2017 Report – Volume 1, p. 190, Recommendation 2; Crown and Central Agencies Committee agreement June 20, 2018)

**Status** – Implemented

SaskTel revised its competitive purchase evaluation templates, and supplier comparison forms to include a section for documenting the names of individuals involved in evaluating bids to tenders, and selecting the successful supplier.

SaskTel communicated to its staff about how to use the new forms effective May 31, 2017.

For the two competitive purchases we tested, we found that SaskTel logged the names of staff evaluating proposals from potential suppliers.

SaskTel also completed its own review of competitive purchase documentation between June 2017 and August 2018. It followed up on any items where SaskTel did not log the names of staff evaluating proposals as expected. It plans to continue reviewing competitive purchase documentation every six months to confirm staff consistently document this information.

Documenting the names of staff involved in the evaluations decreases the risk of a perceived bias or conflict of interest. Also, it provides a clear record of who made the supplier selection.

### 3.3 Approval of Purchase Changes for Materials Implemented

***We recommended that SaskTel implement a process to obtain appropriate level of approval when expected dollar values of purchases of materials increase after initial approval.*** (2017 Report – Volume 1, p. 190, Recommendation 3; Crown and Central Agencies Committee agreement June 20, 2018)

**Status** – Implemented



In April 2018, SaskTel implemented a process to obtain appropriate approval when expected dollar values of purchases of materials increase after initial approval of the purchase.

SaskTel expects staff to check if there is an appropriate level of approval in place before approving purchase orders for standard materials greater than \$50,000.<sup>2</sup> If not, staff must obtain an appropriate level of authority to approve a new agreement with the supplier before approving the purchase order. If it is an urgent purchase, the appropriate staff member must sign the purchase order authorizing the higher dollar purchase, instead of signing a new agreement.

For each of five purchases with amounts above \$50,000 we tested, SaskTel obtained appropriate approval that coincided with the expected dollar value of the purchase.

SaskTel also completed its own review of transactions between May and October 2018. Where it identified non-compliance with its authorization policy, it followed up with specific staff to reinforce the importance of following the authorization policy. SaskTel plans to continue checking, each quarter, whether staff obtain appropriate approval for purchases.

Considering the appropriateness of approval obtained for increases in purchases of materials before approving the purchase can decrease the risk of inappropriate purchases and non-compliance with SaskTel's authorization policy.

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<sup>2</sup> Standard materials are items stocked in SaskTel's warehouses.