

## Chapter 2 Highways and Infrastructure

### 1.0 MAIN POINTS

The Ministry of Highways and Infrastructure had effective rules and procedures to safeguard public resources for the year ended March 31, 2019 other than the following areas.

The Ministry's Saskatchewan Highway Patrol needs to always follow policies when making purchases with purchasing cards (e.g., only making purchases within approved individual transaction limits, having supervisors approve transactions). This helps the Ministry treat suppliers equitably, and verify purchases are for legitimate business purposes.

Also, the Ministry needs stronger processes to oversee purchases of Highway Patrol equipment and supplies, and track regulated Highway Patrol equipment, such as firearms and ammunition. Requiring additional approvals or limiting these types of purchases to a few individuals would reduce the risk of buying unauthorized or inappropriate items. Given the portable and regulated nature of Highway Patrol equipment, tracking them and their use reduces the risk of liability for misplaced or lost items used for inappropriate purposes.

Furthermore, Ministry staff continues not to always ensure unneeded user access is removed promptly from its IT systems. Not following these established processes makes the Ministry's data and systems vulnerable to inappropriate access.

During 2018-19, the Ministry and the Transportation Partnerships Fund complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing, except that the Ministry did not always obtain quotes or tenders in accordance with *The Purchasing Act, 2004*.

The 2018-19 financial statements of the Transportation Partnerships Fund are reliable.

### 2.0 INTRODUCTION

The Ministry of Highways and Infrastructure is responsible for managing the provincial transportation network. The network consists of 26,211 kilometres of highways, more than 720 bridges and 62,000 culverts, 17 airports in northern Saskatchewan, 12 ferries, and 1 barge.<sup>1</sup>

The Ministry provides the public with a safe, reliable transportation system, and manages and provides for the development of an integrated provincial transportation system.<sup>2</sup> The transportation system is to support economic growth and prosperity for Saskatchewan, and promote the safe and efficient movement of goods and people.<sup>3</sup>

<sup>1</sup> Ministry of Highways and Infrastructure, *Annual Report for 2018-19*, p. 3.

<sup>2</sup> *Ibid.*, p. 3.

<sup>3</sup> *Ibid.*, p. 3.



## 2.1 Financial Overview

At March 31, 2019, the Ministry managed tangible capital assets (comprised primarily of the provincial transportation system) with a book value of \$5.2 billion. In 2018-19, it acquired capital assets of \$630 million comprised primarily of roads and bridges (e.g., Regina Bypass).

In 2018-19, the Ministry had revenue of \$56.3 million, including federal government transfers of \$53.1 million from the New Building Canada Fund.<sup>4,5</sup> As shown in **Figure 1**, in 2018-19, it had expenses of about \$461 million.

**Figure 1—Total Expense by Major Program**

	Estimates 2018-19	Actuals 2018-19
	(in millions)	
Central Management and Services	\$ 17.9	\$ 17.1
Strategic Municipal Infrastructure	22.7	24.0
Operation of Transportation System	90.8	103.6
Preservation of Transportation System	116.8	116.9
Transportation Planning and Policy	3.4	3.3
Infrastructure and Equipment Capital	672.9	630.1
<b>Total Appropriation</b>	<b>\$ 924.5</b>	<b>\$ 895.0</b>
Capital Asset Acquisitions	(672.9)	(630.1)
Capital Asset Amortization	189.7	196.5
<b>Total Ministry Expense</b>	<b>\$ 441.3</b>	<b>\$ 461.4</b>

Sources: *Government of Saskatchewan—18-19 Estimates* (Vote 16), pp.81-85, and *Ministry of Highways and Infrastructure, Annual Report for 2018-19*, p. 25.

During 2018-19, the Ministry purchased about \$25 million of goods and services through about 50,000 purchasing card (p-card, company-issued credit card) transactions. At March 31, 2019, the Ministry had issued 550 p-cards to its employees.

## 3.0 AUDIT CONCLUSION

**In our opinion, for the year ended March 31, 2019, we found, in all material respects:**

- **The Ministry of Highways and Infrastructure had effective rules and procedures to safeguard public resources except for the matters described below**

<sup>4</sup> Ministry of Highways and Infrastructure, *Annual Report for 2018-19*, p. 26.

<sup>5</sup> The Government of Canada in 2014 established the New Building Canada Fund to support projects of national, regional and local significance that promote economic growth, job creation and productivity. The federal government works with provinces, territories, municipalities and the private sector to provide funds for economically-focused projects. [www.infrastructure.gc.ca/plan/nbcf-nfcc-eng.html](http://www.infrastructure.gc.ca/plan/nbcf-nfcc-eng.html) (8 April 2020).

- **The Ministry of Highways and Infrastructure complied with the following authorities governing its and the Transportation Partnerships Fund's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, except the Ministry did not always obtain quotes or tenders in accordance with *The Purchasing Act, 2004*:**

*The Highways and Transportation Act, 1997*  
*The Railway Line (Short Line) Financial Assistance Regulations*  
*The Ministry of Highways and Infrastructure Regulations, 2007*  
*The Fuel Tax Accountability Act*  
*The Public Works and Services Act*  
*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
*The Purchasing Act, 2004, and Regulations*  
 Orders in Council issued pursuant to the above legislation

- **The financial statements of the Transportation Partnerships Fund are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audit. We used the control framework included in *COSO's Internal Control—Integrated Framework* to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Because the Ministry uses contractors to maintain and construct its highways and bridges, the audit paid particular attention to the Ministry's controls over managing its contracts. This included assessing its processes for awarding, approving, and adjusting contracts; retaining appropriate security and holdbacks; approving estimates; obtaining appropriate clearance from the Workers' Compensation Board and tax authorities before making final payments; and tracking its related contractual obligations. The audit also included testing of purchases through use of p-cards.<sup>6</sup>

In addition, because the Ministry relies on IT systems to account for its financial activities and to manage the transportation system and related contracts, the audit included assessing the Ministry's key service level agreements, change management processes, and controls over user access for those key financial-related IT systems.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In early 2019-20, the Ministry of Highways and Infrastructure investigated employee complaints about the Saskatchewan Highway Patrol's purchasing. The Ministry hired consultants to further investigate these reported irregularities. It notified our Office about the reported irregularities and its investigations. Its investigations focused on the period September 2017 to August 2019. While the investigations were being conducted, the Ministry placed a highway patrol employee on administrative leave. Following a review of the completed investigations, the Ministry terminated the employment of the employee.

<sup>6</sup> Our work related to the Ministry of Highways and Infrastructure, Saskatchewan Highway Patrol's purchases using purchase cards covered the 20-month period from April 1, 2018 to November 30, 2019.



Based on the information the Ministry provided, we did further audit work related to the Highway Patrol's purchases. **Sections 4.1 to 4.3** describe key findings related to this additional work.

**Sections 4.4 and 4.5** describes other findings related to the Ministry.

## 4.1 Consistent Monitoring of Purchase Card Use Needed

The Ministry of Highways and Infrastructure did not sufficiently monitor whether staff of the Highway Patrol consistently follow policies for purchases using purchase cards (p-cards).

**Figure 2** highlights key Treasury Board policies, *The Purchasing Regulations* requirements, and good practice the Government expects ministries to follow.<sup>7</sup> In addition, the Ministry gives staff further direction. For example, the Ministry's Purchase Card Policy and Procedure Manual explicitly states employees must not split transactions to bypass the transaction limits.

### Figure 2—Financial Administration Manual, Treasury Board Policies, and Expected Practices Related to Use of Purchase Cards

**Treasury Board policies** require the use of p-cards to acquire eligible goods and services, setting a maximum transaction limit of \$10,000 for a single purchase, including taxes, unless approved by the Provincial Comptroller or delegate. (FAM Section 3154: Public Money and Property – Purchase Cards)

**The Purchasing Regulations** allows ministries to buy supplies directly from a supplier based on processes provided by SaskBuilds or through a standing offer established by SaskBuilds.<sup>A</sup> The Government uses its Financial Administration Manual (FAM) to communicate some of these expectations.

For example, FAM states ministries must obtain three written quotes for purchases which are to exceed \$2,500 before making the purchase; and publicly tender purchases of goods over \$10,000. (FAM Section 4505: Goods and Services – Purchases of Goods).

**The Provincial Comptroller** sets out directives in FAM on types of purchases (e.g., travel or business expenses) eligible to be made through the use of p-cards along with expectations for issuing cards, approving p-card purchases, and monitoring the use of p-cards. For example, FAM expects independent online approval of individual p-card transactions. At month-end, the p-card holder is to prepare a summary of all purchases with all receipts and support. In most circumstances, the p-card holder's immediate supervisor or manager is to review and approve the transactions listed on the monthly statement and summary for reasonableness. (FAM Section 3154: Public Money and Property – Purchase Cards)

<sup>A</sup> The Single Procurement Service Branch of SaskBuilds may be involved in competitive methods of procurement (e.g., public tenders). For example, depending upon the nature of the purchase, the purchaser may need to publicly tender the purchase (e.g., for purchase of goods over \$10,000 or purchase of services over \$75,000).

Each quarter, the Ministry receives from the Provincial Comptroller the results of the Comptroller's p-card testing (i.e., a listing of its p-card transactions that did not comply with directives).<sup>8</sup> We found the Ministry follows up the identified exceptions (e.g., sent general reminder e-mails to cardholders, held discussions with the cardholder that did not follow the directives).

<sup>7</sup> The Financial Administration Manual (FAM) is publicly available at [applications.saskatchewan.ca/fam](http://applications.saskatchewan.ca/fam). It sets out Treasury Board policies and Provincial Comptroller directives which reflect good practice ministries are to follow when making purchases. (02 February 2020).

<sup>8</sup> Each year, the Provincial Comptroller's Division of the Ministry of Finance audits a sample of the Ministry of Highways and Infrastructure's purchase card transactions to assess compliance with Provincial Comptroller directives.

Ministry policy requires its Administration Branch to review a sample of p-card purchases to confirm they follow relevant policies and authorities.<sup>9,10</sup> Management indicates, because the Provincial Comptroller tests p-card transactions, the Ministry of Highways and Infrastructure intends to remove this policy and did not test a sample of purchases.

In our testing of 34 purchases made by the Highway Patrol, through the use of p-cards, we found instances of p-card purchases not complying with related Treasury Board policies and related authorities.

For example, we found the following instances where Ministry employees divided an individual purchase into more than one purchase either to stay within the \$10,000 purchase limit, or to avoid having to use competitive purchasing methods (obtaining quotes or publicly tender). Documentation supporting each of these purchases did not provide reasons for not following expectations (e.g., unusual or emergency situation). We found:

- One purchase of bulletproof vests for highways patrol activities costing just over \$10,000 from a single supplier was split into three equal purchase card payments onto three different employee p-cards.
- Three separate invoices from the same supplier for similar equipment purchased on the same date totalling just over \$19,000 for highway patrol equipment and belt systems to carry the equipment.
- Use of p-cards to make separate below-limit purchases of equipment and training instead of combining expected purchases and using competitive purchasing methods. During 2018-19, the Ministry used p-cards to buy about \$800,000 of equipment and training to support the expanded role of the Highway Patrol. This included spending \$54,000 on 26 carbines (with parts and accessories).<sup>11</sup> It bought another six carbines in 2019-20. It did not use any competitive purchasing methods (e.g., obtain quotes) when making these purchases. This does not comply with *The Purchasing Act, 2004*.

In our testing of 34 p-card transactions for the Highway Patrol, we found 26 instances where, contrary to policy expectations, someone other than the p-card holder's immediate supervisor approved the transaction and/or monthly statement. In addition, for the Highway Patrol p-card purchases, we identified four instances where the monthly statement did not have any approval signatures.

Not respecting p-card transaction limits or limits used to determine appropriate procurement methods increases the risk of not treating suppliers equitably, and the Ministry not getting best value when making purchase decisions. In addition, it increases the risk of inappropriate purchases. Systematic reviews of purchases can identify non-compliance and provide opportunities to explain and reinforce established purchasing policies and processes.

<sup>9</sup> Ministry of Highways and Infrastructure, Purchase Card Program Policies and Procedures Manual, Section 5.2.7.

<sup>10</sup> Purchase cards are typically used for smaller purchases. The purchase cards are summarized on a monthly basis and one payment is issued to the financial institution for all of the purchases in a month. This reduces the administration costs of making payments for each individual purchase.

<sup>11</sup> A carbine is a rifle characterized by a shorter barrel than a standard rifle.



1. We recommend the Ministry of Highways and Infrastructure increase its monitoring of compliance with established transaction limits for purchases made using purchase cards.

## 4.2 Additional Oversight of Firearms and Ammunition Purchases Needed

The Ministry of Highways and Infrastructure did not sufficiently oversee the purchase of firearms and ammunition bought to support the Highway Patrol duties (e.g., clearly define types of firearms and weapons necessary, and set out desired procurement methods [e.g., p-cards, standing orders]).

Since August 2017, the Saskatchewan Highway Patrol officers (i.e., Highways Commercial Vehicle Enforcement Officers) are part of the Protection and Response Team whose role is to aid in the reduction of rural crime.<sup>12</sup> The Protection and Response Team is considered a first responder, and is to turn over investigations to a police service (e.g., RCMP) at the first available opportunity.

Since the Team's inception, the Ministry has bought equipment (e.g., firearms, helmets) and supplies (e.g., ammunition) totalling about \$700,000 to support its expanded highway patrol activities.<sup>13</sup>

Laws recognize the importance of controlling access to and use of firearms and ammunition.<sup>14</sup> These laws apply to the Highway Patrol activities and its officers. Under the Federal Government's *Public Agency Firearm Regulations*, the Ministry must register its purchases of firearms, and meet requirements related to storage of firearms and training for the personnel using those firearms. Also as shown in **Figure 3**, *The Municipal Police Equipment Regulations, 1991* (Saskatchewan) restrict the type of equipment the Ministry is authorized to use in the course of duty. Section 5 of the *Municipal Police Equipment Regulations* gives the chief of a police service discretion to use other firearms and special equipment in emergency situations.

**Figure 3—Types of Firearms and Ammunition permitted for Police Services under *The Municipal Police Equipment Regulations, 1991* (Saskatchewan)**

- A police service may only use:
- A pistol that is 40 calibre
  - A carbine that is semi-automatic
  - A certain model of carbine (i.e., AR-15)
  - Factory loaded ammunition

The Ministry's delegation of authority policy (which sets out the type and size of purchase staff are authorized to make) gives Directors within the Ministry the authority to make purchases of goods or services up to \$200,000. Neither the Ministry's delegation of authority policies nor other policies explicitly restrict which staff have the authority to buy firearms and/or ammunition, or require additional oversight or review of these purchases.

<sup>12</sup> Government of Saskatchewan News Release, August 22, 2017. After obtaining the necessary equipment and training, the Saskatchewan Highway Patrol began carrying out their duties with expanded powers on July 1, 2018.

<sup>13</sup> For complete definitions of the different classes of firearms, see [www.rcmp-grc.gc.ca/en/firearms/classes-firearms](http://www.rcmp-grc.gc.ca/en/firearms/classes-firearms). (3 April 2020)

<sup>14</sup> The *Criminal Code* (Canada) set out rules and restrictions related to firearms and restricted weapons. Section 117.07 exempts police services from these restrictions in the course of their duties.

While the Ministry has authority to possess firearms or restricted weapons in the course of the Highway Patrol's duties, the Ministry did not document a business need to buy certain types of firearms and weapons given the Highway Patrol's role as a first responder in emergency situations.<sup>15</sup>

We found the Ministry owns various firearms and other weapons that are not included in *The Municipal Police Equipment Regulations, 1991* (Saskatchewan). This includes three nine-millimetre pistols, two fully automatic rifles, one AR-10 carbine, and 12 suppressors (silencers). The Ministry advises us legislation allows the Ministry to possess these firearms and weapons for training purposes even though it cannot use them in its highway patrol duties. We also found the Ministry possesses a shotgun even though the Deputy Minister specifically directed staff not to purchase any shotguns. Management indicated it has not deployed any of these items for operational use, and all are in locked storage.

As reported in **Section 4.1**, we found the Ministry used p-cards to buy many of these firearms and related ammunition.

The Ministry's further investigation into p-card purchases of the Highway Patrol identified questionable purchases that did not have sufficient support to demonstrate business need or alignment with the Ministry's first responder responsibilities. Questionable purchases included purchases of certain firearms and ammunition, suppressors (silencers), drug test kits, a drone, and a high power rifle scope.

The use of p-cards is a decentralized purchase method with fewer controls over the authorization of purchases. Having clear policies that restrict who can buy regulated items like firearms and ammunition (e.g., require additional approvals or limiting these types of purchases to a few individuals), and restrict how employees can buy them (e.g., disallowing use of p-cards, requiring the use of a purchase order) would assist in overseeing purchases of regulated goods, and reduce the risk of buying unauthorized or inappropriate items.

2. **We recommend the Ministry of Highways and Infrastructure implement policies to better oversee purchases of regulated firearms and ammunition to ensure they support its business needs.**

### 4.3 Regulated Highway Patrol Equipment not Properly Tracked

The Ministry of Highways and Infrastructure does not sufficiently track regulated equipment (e.g., firearms, ammunition, and accessories such as gun belts and protective gear used to carry out its highway patrol activities). It has not formally assigned to staff responsibilities for tracking related equipment (e.g., keeping an accurate, up-to-date listing), or for periodically confirming the existence and location of such items.<sup>16</sup>

The expansion of the Ministry's Highway Patrol activities resulted in a need for different and more equipment some of which is sensitive (e.g., firearms, ammunition).

At March 2019, the Ministry uses spreadsheets to track highway-patrol equipment purchases like firearms, and accessories (e.g., gun belts and protective gear). The

<sup>15</sup> The Saskatchewan Highway Patrol's expanded powers relate to being first responders. (Government of Saskatchewan News Release, August 22, 2017).

<sup>16</sup> Responsibilities would include those for recording additions, disposals and reassignments of items.



spreadsheets list details about individual items such as current location or the individual to whom the Ministry assigned the item. We found various staff within the Highway Patrol had the ability to make changes to information on this spreadsheet.

When the Ministry assigns firearms to its officers, officers are to sign a standard sign-out form to take responsibility for the equipment. The Ministry maintains the signed forms. In addition, the Ministry expects officers to immediately report missing equipment.

In July and August of 2019, the Ministry assessed the accuracy of the Highway Patrol equipment spreadsheet. This was the first assessment since the purchases of equipment, which began on or about April 2018. To assess the accuracy, the Ministry compared purchases of Highway Patrol items to items listed on the spreadsheet, and located each of the items.

The Ministry identified a number of inaccuracies in the spreadsheet (e.g., pieces of equipment not with individuals noted on the listing, equipment not included on listing). The items not with the individuals noted on the listing included combat helmets, communication equipment, and a drone. The Ministry followed up these discrepancies and located all but two pieces of equipment (i.e., communication equipment). It had purchased the communication equipment in March 2019 for just over \$6,000. Upon further investigation, the Ministry determined it had not received the equipment. In January 2020, it received a credit from the supplier for the amount it had paid.

The sensitive and portable nature of regulated Highway Patrol equipment (e.g., firearms, ammunition) increases the importance of keeping track of them and their use. Without processes such as periodic inventory checks or counts, and restricting who can make changes to equipment tracking records, the Ministry risks being held liable for misplaced or lost items used for inappropriate purposes. Also, the Ministry risks incurring loss of public money if items go missing.

**3. We recommend the Ministry of Highways and Infrastructure implement better processes to track regulated highway patrol equipment.**

## 4.4 Use of Purchase Cards not Aligned with Policy

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The Ministry of Highways and Infrastructure did not always follow policies for purchases made through use of purchase cards (p-cards).

In our testing of p-card transactions for the Ministry (other than those of the Highway Patrol), we found one instance where a purchase was split into two payments to stay within the maximum transaction purchase limit of \$10,000. The purchase was for machinery parts for the Operation and Maintenance Division costing almost \$11,000 (one payment for \$5,000 and one payment for the remaining amount). The purchase documentation did not include any rationale for why the purchaser used a p-card for the transaction that was over the limit and why they did not obtain quotes or tenders.

As noted in **Figure 2**, the maximum transaction limit for a single p-card purchase is \$10,000 and purchases over \$2,500 require the purchaser to obtain three written quotes.

See **Recommendation 1** about monitoring p-card transactions for compliance.

## 4.5 Prompt Removal of Expired Users' Access Needed

***We recommended the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data.*** (2009 Report — Volume 3, p. 251, Recommendation 1; Public Accounts Committee agreement April 21, 2010)

**Status**—Partially Implemented

Although the Ministry has established procedures to remove user access from its computer systems and data, it did not always follow them. Ministry staff are not consistently requesting the removal of user access promptly.

Each year, the Ministry hires seasonal staff in about 300 temporary positions to assist it with highway maintenance activities.

The Ministry expects its supervisors to request user access removal for their staff who leave the Ministry's employment; they are to make this request on or before their staff's departure.

In addition, supervisors are to review, each month, a termination list obtained from the Public Service Commission. The purpose of this review is to confirm removal of MIDAS user access for individuals listed. MIDAS is the central IT application the Ministry uses to record, and account for, its financial activities, including its general ledger, accounts payable, accounts receivable, purchasing and payments, human resources and payroll records, etc.

We found its monthly review of the termination list ineffective. Consistent with findings from our previous audits, we found former employees whose access to the Ministry's network and IT systems was not promptly removed.

During 2018–19, user access for eight of 10 individuals (2017–18, eight of 10) we examined had a request sent by the Ministry to remove network access between six to 140 days after an individual's last day of employment (2017–18, 15 to 100 days).<sup>17</sup>

Not promptly removing user access increases the risk of unauthorized individuals accessing the Ministry's IT systems and sensitive data.

<sup>17</sup> Requests related to network access are sent to the Ministry of Central Services.