

Chapter 7

Highways and Infrastructure

1.0 MAIN POINTS

The Ministry of Highways and Infrastructure had, other than the following areas, effective rules and procedures to safeguard public resources for the year ended March 31, 2020.

The Ministry 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.

The Ministry set out additional processes to oversee purchases of Highway Patrol equipment and supplies, and track regulated Highway Patrol equipment, such as firearms and ammunition. However, it did not implement these policies prior to year-end. 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 continue 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 2019–20, 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 2019–20 financial statements of the Transportation Partnerships Fund are reliable.

2.0 INTRODUCTION

2.1 Background

The Ministry of Highways and Infrastructure is responsible for managing the provincial transportation network. The network consists of 26,335 km of highways. The Ministry also operates and maintains 709 bridges, more than 62,000 culverts, 16 northern airports, 12 ferries, and 1 barge.¹

The Ministry is to provide the public with a safe, reliable transportation system, and manage and provide for the development of an integrated transportation system.²

¹ Ministry of Highways and Infrastructure, *Annual Report for 2019–20*, p. 3.

² Ibid.



2.2 Financial Overview

At March 31, 2020, the Ministry managed tangible capital assets (comprised primarily of the provincial transportation system) with a book value of \$5.4 billion. In 2019–20, it spent \$485 million and acquired tangible capital assets of \$400 million comprised primarily of roads and bridges (see **Figure 1**).

Figure 1—Major Programs and Spending

	Estimates 2019–20	Actual 2019–20
	(in millions)	
Central Management and Services	\$ 17.8	\$ 17.0
Strategic Municipal Infrastructure	22.7	25.1
Operation of Transportation System	105.9	124.7
Preservation of Transportation System	116.4	113.2
Transportation Planning and Policy	3.4	3.3
Infrastructure and Equipment Capital	<u>439.8</u>	<u>399.7</u>
Total Appropriation	\$ 706.0	\$ 683.0
Capital Asset Acquisitions	(439.8)	(399.7)
Capital Asset Amortization	202.9	201.9
Total Expense	\$ 469.1	\$ 485.2

Source: Government of Saskatchewan—2019–20 Estimates (Vote 16), pp. 79–83, and Ministry of Highways and Infrastructure, *Annual Report 2019–20*, p. 27.

In 2019–20, the Ministry had revenues of \$33.8 million including federal transfers of \$29.7 million.³ As shown in **Figure 1**, in 2019–20, it had expenses of about \$485 million.⁴ During 2019–20, the Ministry purchased about \$19 million of goods and services through about 50,000 purchasing card (p-card, company-issued credit cards) transactions. At March 31, 2020, the Ministry had 530 p-cards.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2020, we found, in all material respects:

- **The Ministry of Highways and Infrastructure had, except for the matters described below, effective rules and procedures to safeguard public resources**
- **The financial statements of the Transportation Partnerships Fund are reliable**

³ Ministry of Highways and Infrastructure, *Annual Report for 2019–20*, p. 28.

⁴ *Ibid.* p. 27.

- **The Ministry of Highways and Infrastructure complied with the following authorities governing its activities 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

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.

In addition, because the Ministry relies on IT systems 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 IT systems.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Consistent Monitoring of Purchase Card Use Needed

We recommended the Ministry of Highways and Infrastructure increase its monitoring of compliance with established transaction limits for purchases made using purchase cards. (2020 Report – Volume 1, p. 30, Recommendation 1; Public Accounts Committee has not yet considered this recommendation as of November 2, 2020)

Status—Not Implemented

The Ministry of Highways and Infrastructure did not sufficiently monitor whether staff consistently follow policies for purchases using purchase cards (p-cards, company-issued credit cards). Also, Ministry staff did not always follow policies for purchases made through use of p-cards.



In 2019–20, the Ministry identified numerous instances of Saskatchewan Highway Patrol staff not complying with p-card policies.⁵ By November 30, 2019, following a Ministry-initiated independent investigation, the Ministry began to take steps to ensure p-card purchases comply with established policies.

For six of 51 purchases made using p-cards we tested, we found:⁶

- The Saskatchewan Highway Patrol had made each of these six purchases, and did not follow applicable purchasing policies.
- For one purchase (made before November 30, 2019), the purchaser did not obtain quotes or tender (competitive process), and the support to the purchase did not document why they did not. This does not comply with *The Purchasing Act, 2004*.
- For five purchases (two made before November 30, 2019, and three made after November 30, 2019), the approver was not the p-card holder's direct supervisor.⁷

For another 13 of 32 individual p-card transactions we tested, the purchaser had divided the purchase into multiple transactions (the Saskatchewan Highway Patrol made two of the 13 purchases). Of the 13 split p-card transactions, we found:

- For five purchases made before November 30, 2019, the purchaser did not obtain quotes or tenders (competitive process) and the support to the purchase did not document why they did not.⁸ This does not comply with *The Purchasing Act, 2004*.
- For 12 purchases (seven made before November 30, 2019, and five made after November 30, 2019), the purchasers split the transaction to remain within the p-card individual transaction limit of \$10,000.⁹
- None included documentation to explain why the purchaser used a p-card for a transaction that was over the limit

For eight monthly p-card statements for p-cards issued to Saskatchewan Highway Patrol employees we tested, we found:

- Eight purchases (seven made before November 30, 2019, and one made after November 30, 2019) where the approver was not the p-card holder's direct supervisor

⁵ As we reported in our *2020 Report – Volume 1*, 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.

⁶ The Saskatchewan Highway Patrol made 20 of the 51 p-card purchases.

⁷ Treasury Board policies expect the p-card holder's immediate supervisor or manager, in most instances, to review and approve the transactions listed on the monthly statement and summary for reasonableness (FAM Section 3154: Public Money and Property – Purchase Cards).

⁸ Treasury Board policies require ministries to obtain three written quotes for purchases which are expected to exceed \$2,500 before making the purchase, and publicly tender the purchases of goods over \$10,000. (FAM s. 4505: Goods and Services—Purchases of Goods).

⁹ Treasury Board policies set a maximum limit of \$10,000 for a single purchase unless approved by the Provincial Comptroller or delegate. (FAM s. 3154: Public Money and Property—Purchase Cards).

- Six purchases where the purchaser did not obtain quotes or tenders (competitive process) and the support for the purchase did not document why they did not obtain quotes or tenders

In March 2020, the Ministry, via email, reminded its p-card holders to follow the Government's policies on p-card use (e.g., follow transaction limits, obtain required quotes and approve purchase orders, and follow appropriate p-card approval process). Subsequent to March 31, 2020, the Ministry informed us it started reviewing Saskatchewan Highway Patrol p-card transactions to check that they comply with established policy and processes.

Using the appropriate procurement methods consistent with policy decreases the risk of not treating suppliers equitably, and the Ministry not getting best value when making purchase decisions. In addition, it decreases the risk of inappropriate purchases. Systematic reviews of purchases can identify non-compliance and provide opportunities to explain and reinforce established p-card purchasing policies and processes.

4.2 Additional Oversight of Firearms and Ammunition Purchases Needed

We recommended the Ministry of Highways and Infrastructure implement policies to better oversee purchases of regulated firearms and ammunition to ensure they support its business needs. (2020 Report – Volume 1, p. 31, Recommendation 2; Public Accounts Committee has not yet considered this recommendation as of November 2, 2020)

Status—Partially Implemented

As of March 31, 2020, the Ministry of Highways and Infrastructure had not yet implemented policies to better oversee purchases of regulated firearms and ammunition.

The Ministry purchased about \$230,000 worth of firearms, ammunition, and other Highway Patrol supplies during 2019–20. The Ministry did not purchase any firearms after August 2019.

Subsequent to March 31, 2020, the Ministry drafted a revised Signing Authority Delegation that would require the Chief of the Saskatchewan Highway Patrol to recommend the procurement of firearms, accessories, and ammunition to the Executive Director, Policing and Community Safety Services, of the Ministry of Corrections and Policing.

With the proposed amendment, the Ministry of Corrections and Policing would review the procurement for restricted and prohibited items under the federal firearms regulations, and give a recommendation for approval to the Deputy Minister of the Ministry of Highways and Infrastructure. The proposed amendment would access the knowledge of the Ministry of Corrections and Policing of laws and regulations governing firearms and ammunition. This would help ensure the Ministry of Highways and Infrastructure makes purchases consistent with those laws, and consistent with its Highway Patrol obligations. The Ministry approved this amended Signing Authority Delegation on October 7, 2020.



Having clear policies that restrict who can buy regulated items like firearms and ammunition (e.g., require additional approvals or limit purchases to a few individuals) can assist the Ministry in overseeing purchases of regulated goods. Having policies that restrict how employees can buy regulated items (e.g., disallowing use of p-cards, requiring the use of a purchase order) can also reduce the risk of buying unauthorized or inappropriate items. Further, requiring documentation of the business purpose of these types of purchases when requesting approval for the purchase of these goods would also reduce this risk.

4.3 Regulated Highway Patrol Equipment not Yet Properly Tracked

We recommended the Ministry of Highways and Infrastructure implement better processes to track regulated highway patrol equipment. (2020 Report – Volume 1, p. 32, Recommendation 3; Public Accounts Committee has not yet considered this recommendation as of November 2, 2020)

Status—Partially Implemented

As of March 31, 2020, the Ministry of Highways and Infrastructure had not implemented processes to better track regulated highway patrol equipment (e.g., firearms, ammunition). In June 2020, the Ministry bought an IT system to track highway patrol equipment.

At September 2020, the Ministry was in the process of entering the highway patrol equipment into the new system, and verifying the accuracy of the information. Management informed us it completed this work by October 2020, and fully implemented the tracking system.

The sensitive and portable nature of regulated highway patrol equipment increases the importance of keeping track of them and their use. Processes such as periodic inventory checks or counts, and restricting who can make changes to equipment tracking records decreases the risk of the Ministry being held liable for misplaced or lost items used for inappropriate purposes, or incurring loss of public money if items go missing.

4.4 Prompt Removal of Users' IT 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 of Highways and Infrastructure 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.

During 2019–20, user access for two of ten individuals (2018–19, eight of ten) we examined had a request sent by the Ministry to remove IT network access late.¹⁰ For one of these

¹⁰ Requests related to network access are sent to the Ministry of Central Services.

individuals, the Ministry sent the request to remove IT network access ten days after the individual's last day of employment (2018–19, between six to 140 days). As of September 22, 2020, the Ministry had not yet requested removal of IT network access for the other individual (greater than five months).

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

