

Chapter 21

Northlands College—Purchasing Goods and Services

1.0 MAIN POINTS

Northlands College improved some of its processes to purchase goods and services, but has more work to do. Of the 11 recommendations we first made in 2019, the College implemented two recommendations, and partially implemented nine recommendations by March 2021.

By March 2021, the College's Board reviewed and approved amendments to key purchasing policies. The College also consistently documented tender communications with potential suppliers. The College updated its purchasing policy to clarify its requirements for using single and sole source purchasing, establishing a standard tendering time, and segregating incompatible purchasing duties.

However, staff did not always follow this guidance. When not following requirements for single and sole source purchases, or providing suppliers with sufficient time to prepare for tender responses, the College is at risk of not facilitating fair and equitable treatment of suppliers. Not appropriately separating incompatible purchasing duties between different individuals increases the risk of fraud, and not detecting errors.

While the College established a process to maintain complete documentation of contracts, it did not always complete contracts timely, or obtain appropriate authorization. Further, the College is not utilizing robust contract templates, nor has it set out expectations on the use of contracts.

If suppliers provide goods or services to the College before finalizing a contract, suppliers may not fully understand their responsibilities to the College—potentially resulting in suppliers not meeting the College's needs. Not having robust contract templates that consider or include all clauses that may be necessary in a contract increases legal and financial risks to the College.

While the College set transaction limits for individual purchases made on its credit cards, it did not enforce these limits. Electronic limits on individual purchases prevents staff from making purchases outside of their authority level.

Since our last audit (in 2019), the College was updating the supplier listing in its financial system. However, the College does not document its due diligence procedures to validate suppliers before entering them into its financial system. Not following due diligence procedures to confirm the validity of suppliers increases the risk of making payments to fictitious suppliers.



2.0 INTRODUCTION

2.1 Background

Northlands College is one of seven regional colleges operating in Saskatchewan. It provides education and training programs and services, enhances the social and economic condition, prepares northerners to participate in the labour market, and helps industry meet its labour force needs.¹

Northland College operates in northern Saskatchewan, with campuses located in Buffalo Narrows, La Ronge, and Creighton. Its head office is in Air Ronge.² It has a staff of almost 100 full-time equivalent positions, and serves about 1,100 students each year. In 2019-20, the College bought over \$7 million of goods and services.³

The Regional Colleges Act (s. 12) gives boards of directors of regional colleges the responsibility for developing policies about administration, operations, and financial administration. The Ministry of Advanced Education oversees regional colleges, and may provide direction to regional colleges regarding their operations or programs.⁴

2.2 Focus of Follow-Up Audit

This chapter describes our first follow-up audit of management's actions on the recommendations we made in 2019.

In 2019, we assessed the College's processes to purchase goods and services. Our *2019 Report – Volume 1*, Chapter 9, concluded Northlands College had, except in the areas reflected in our recommendations, effective processes to purchase goods and services. We made 11 recommendations.⁵

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

To perform our follow-up audit, we discussed actions taken with College management. We assessed the College's purchasing processes by examining purchasing documentation (e.g., policies, tender documents, purchase orders, contracts, invoices). We tested samples of purchases (tenders, single and sole source purchases, purchase cards, invoices) to assess the operating effectiveness of the College's processes.

¹ trainnorth.ca/about (8 April 2021).

² trainnorth.ca/about/our-campuses/ (25 January 2021).

³ *Northlands College 2019-20 Annual Report – Schedule 3* (Agency Contracts, Operating, Facilities, Equipment & Information Technology), trainnorth.ca/wp-content/uploads/publications/AnnualReports/NorthlandsCollegeAnnualReport2019-2020.pdf (10 February 2021).

⁴ Section 13 of *The Regional Colleges Act*.

⁵ *2019 Report – Volume 1*, Ch. 9, pp. 141-157.

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 March 2, 2021, and the College's actions up to that date.

3.1 More Comprehensive Purchasing Policy Required

We recommended Northlands College update its purchasing requirements so that they align with applicable external trade agreements, establish requirements for staff involved with purchases to declare real or perceived conflicts of interest, and incorporate expectations for use of contracts.

(2019 Report – Volume 1, p. 146, Recommendation 1; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Partially Implemented

Northlands College updated purchasing policy aligns with applicable external trade agreements. However, the College's policy does not require staff involved in purchases to declare real or perceived conflicts of interest, or set out when staff should use contracts.

In November 2019, Northlands updated its procurement policy to remind staff about the applicability of the *New West Partnership Trade Agreement* as well as the *Canadian Free Trade Agreement*. In addition, the College removed the local supplier preference from its policy as it was not consistent with the terms of these trade agreements.

Since November 2019, the College issued two public tenders. For both of these tenders, we found the College's tendering documents acknowledged trade agreements where applicable.

The College's procurement policy does not require staff involved in purchasing decisions to declare, in writing, whether any real or perceived conflicts of interest exist (e.g., staff ownership interest in a supplier). For the College's two tenders, the College told us that staff involved in purchasing decisions did not identify conflicts of interest.

Staff with real or perceived conflicts of interest may be biased in their decision-making, increasing the risk of the College not treating potential suppliers fairly and equitably.

Contrary to good purchasing practices, the College has not set out when it expects staff to obtain a written contract for certain types of purchases (e.g., large dollar, length of time).

For the 24 purchases we tested, we found two purchases where, based on the nature of the transaction (e.g., larger, higher-risk transaction), the College should have obtained a contract instead of a purchase order.⁶ We also found one purchase where the College did not obtain a purchase order or contract.

⁶ The value of these two purchases was approximately \$74,000 and \$89,000.



Not having clear expectations on the use of contracts increases the risk of staff not using an appropriate form of contract, possibly exposing the College to unwanted legal or financial risks.

3.2 Policy on Single and Sole Sourcing Purchasing Not Followed

We recommended Northlands College set out, in writing, its requirements for using single or sole source purchasing. (2019 Report – Volume 1, p. 147, Recommendation 2; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Partially Implemented

Northlands College has set out, in writing, its requirements for using single and sole source purchasing, however, staff did not always follow it.

The College updated its procurement policy to include requirements for single and sole source purchases, including expectations to document rationale for the method of procurement and to obtain approval from the Vice President of Finance and Operations or the President.

We tested 18 single and sole source purchases and found the following:

- For 13 purchases, the College did not document its consideration of alternate procurement methods.
- For 14 purchases, the College did not document its rationale for using single or sole source purchasing. The College subsequently provided us with reasonable rationale for its decision to single or sole source the purchases.
- For 16 purchases, the College did not approve the method of procurement.

When not following requirements for using single or sole source purchase methods, the College is at risk of not facilitating fair and equitable treatment of suppliers, and may not obtain best value when making purchasing decisions.

Good purchasing practices also require organizations to track the use of single and sole source purchases. Northlands has not yet implemented a process to do so.

3.3 Fleet Card Purchases Not Reconciled Prior to Making Payment

We recommended Northlands College agree purchases on monthly fleet card statements to supporting receipts prior to making payment. (2019 Report – Volume 1, p. 148, Recommendation 3; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Partially Implemented

Monthly, Northlands College agrees purchases on monthly fleet card statements to supporting receipts but it does not leave evidence that it does this step prior to making payments.

The College established a process to agree purchases on monthly fleet card statements to supporting receipts. For two months, we found College staff agreed receipts to monthly fleet card statements. Further, we found that all transactions appeared reasonable and in accordance with the College's fleet vehicle usage policy. However, the College does not leave evidence of when it completes this process (e.g., date). As a result, it cannot show whether it completes this step before it makes payments.

Not agreeing fleet card receipts to purchases on the monthly statements, prior to payment, increases the risk of the College paying for inappropriate purchases and not detecting misuse promptly. Not documenting the date of when it agrees purchases decreases the ability of the College to supervise whether staff completed the step as and when intended.

3.4 Transaction Limits on Credit Cards Not Enforced

We recommended Northlands College establish transaction limits for individual purchases made on college-issued credit cards. (2019 Report – Volume 1, p. 149, Recommendation 4; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Partially Implemented

Northlands College set transaction limits in its updated procurement policy for individual purchases made on its credit cards, but it did not properly enforce electronic spending limits with its credit card supplier.

Effective November 1, 2019, the College updated its procurement and credit card policies to set transaction limits for individual purchases on college-issued credit cards at \$5,000.

During our testing, we found that the College did not have electronic spending limits set up with its credit card supplier. As a result, cardholders could have made purchases in excess of their approved limit.

Between November 1, 2019 and February 27, 2021, we identified seven transactions that were over the individual transaction limit of \$5,000. We found that for all seven transactions, the College properly approved them prior to payment.

Effective March 2, 2021, the College set up electronic spending limits with its credit card supplier.

Electronic limits on individual purchases prevents staff from making purchases outside of their individual authority level.



3.5 Key Purchasing Policies Board Approved

We recommended the Board of Directors of Northlands College approve the College's key policies related to the purchase of goods and services. (2019

Report – Volume 1, p. 150, Recommendation 5; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Implemented

Northlands College Board reviewed and approved the College's key purchasing policies, including policy amendments.

At its November 2019 meeting, the Board reviewed and approved changes to the following policies: delegation of authority, procurement, fleet vehicle usage and credit card policies.

Board review and approval of key policies ensures the Board's expectations for the operations of an organization are clear, which can reduce the financial, legal, and reputational risks to the organization.

3.6 Tender Communications Maintained

We recommended Northlands College maintain appropriate documentation of its tender communications with suppliers. (2019 *Report – Volume 1*, p. 152,

Recommendation 6; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Implemented

Northlands College maintains appropriate documentation of its tender communications with suppliers.

The College established a process to maintain appropriate documentation of its tender communications with suppliers. The College uses a centralized email account to maintain communication of tenders with potential suppliers, and to communicate tender award information.

For two tenders we tested, we found the College maintained appropriate documentation of its tender communications with suppliers (e.g., posting of tender, answering queries, posting of contract award notice on SaskTenders).⁷

Maintaining appropriate documentation of communications with suppliers supports that the College's purchasing process is fair and transparent.

⁷ SaskTenders is the primary gateway for public sector tender notices in Saskatchewan. The Ministry of SaskBuilds and Procurement administers the SaskTenders website (www.sasktenders.ca).



3.7 Standard Tendering Time Established But Not Followed

We recommended Northlands College establish a standard minimum amount of time to allow suppliers to respond to tenders. (2019 Report – Volume 1, p. 153, Recommendation 7; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Partially Implemented

Northlands College has set a minimum amount of time to allow suppliers to respond to tenders but it did not follow its policy.

Effective November 1, 2019, the College updated its procurement policy to set out a minimum of 30 days to allow suppliers to respond to tenders. Good practice suggests 25 to 35 days is sufficient time to allow suppliers to respond to tenders.⁸ However, the College's policy does not provide guidance on the documentation and approvals necessary if a shorter timeframe is required.

For the two tenders we tested, the College had specified a shorter timeframe to allow suppliers to respond to the tenders (i.e., 11 and 12 days). For one tender, the College did not have sufficient rationale to support use of a shortened timeframe. Whereas, for the other tender, the College had rationale to support the shortened response time (e.g., expected product delivery date did not allow the tender to be open for responses for 30 days).

Not providing suppliers with sufficient time to prepare for tender responses increases the likelihood of suppliers choosing not to respond, and results in the College having fewer options to acquire the goods or services it needs. Providing a sufficient amount of time for suppliers to submit responses to tenders helps demonstrate that it treats suppliers fairly and equitably.

3.8 Contract Templates Not Sufficiently Robust

We recommended Northlands College assess the robustness of the contract template it uses for purchasing goods and services. (2019 Report – Volume 1, p. 154, Recommendation 8; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Partially Implemented

Northlands College updated some of its contract templates but the templates do not include all clauses that may be necessary in a contract.

In November 2019, the College's Board approved changes to the College's standard service contract and training services agreement templates. The College appropriately updated its training services agreement to include clauses related to privacy and confidentiality of student information, as suppliers may have access to student data and records.

We found that the template for the standard services contract does not contain clauses related to amendments or performance. The College uses this template for services such

⁸ Adapted from information provided by the Ministry of Trade and Export Development.



as facilities maintenance and renovations. Clauses related to performance are important to ensure the standard of work is completed as expected. We also found that its standard purchase order did not contain terms and conditions pertaining to delivery, liability, or authorization of changes to terms and conditions.

Not having robust contract templates increases legal and financial risks where signed contracts do not sufficiently address relevant contract terms.

3.9 Contract Documentation Not Always Timely or Properly Authorized

We recommended Northlands College maintain complete documentation of contracts with suppliers, and finalize them before receiving the related goods or services. (2019 Report – Volume 1, p. 154, Recommendation 9; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Partially Implemented

Northlands College established a process to maintain complete documentation of contracts, but did not always complete contracts timely, or obtain authorization in accordance with its delegation of authority.

The College's accounting staff centrally maintain copies of contracts. For 16 purchases with contracts tested, we found the College maintained complete contract documentation (e.g., contract signed by both the College and the supplier).

For 24 purchases we tested (made through tenders and single or sole source purchases), we found:

- Eight purchases where the College did not sign the contract before the work or program started, as good practice expects.
- Thirteen purchases where the College did not authorize the purchase order or contract in accordance with its delegation of authority.

If suppliers provide goods or services to the College before finalizing a contract, suppliers may not fully understand their responsibilities to the College—potentially resulting in suppliers not meeting the College's needs. Not following controls over contract authorization increases the risk of unknown financial liabilities or commitments, or misuse of College funds.

3.10 Documentation of Validity of Supplier Information Needed

We recommended Northlands College document its due diligence procedures carried out to validate suppliers before entering them into its financial system, and keep the supplier listing in its financial system up-to-date. (2019 Report – Volume 1, p. 156, Recommendation 10; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Partially Implemented

Northlands College does not document due diligence procedures to validate suppliers prior to entering them into the financial system. The College has started to update its supplier listing in its financial system.

The College informally confirms the validity of suppliers before it enters them in its financial system. Management noted that staff may research the validity of a new supplier prior to making a purchase, but the College does not document steps taken or the results.

For each of the 16 new suppliers in the College's financial system we tested, we assessed the validity, through internet searches, and found each of them was valid.

Not following due diligence procedures to confirm the validity of suppliers before entering them into the financial system increases the risk of making payments to fictitious suppliers.

The College has started to review its listing of suppliers and remove suppliers that are no longer relevant. At February 2021, we found that the College updated its financial system to include active suppliers (i.e., those paid in the last nine years). The College told us that it plans to continue to remove vendors that it has not paid in the past six years or more.

Periodic maintenance of suppliers included in the financial system reduces the risk of duplicate or fraudulent payments and helps monitor the existence of fictitious suppliers.

3.11 Documentation Not Maintained to Support Segregation of Incompatible Purchasing Duties

We recommended Northlands College separate incompatible purchasing duties (e.g., initiating purchases, receiving goods or services, approving invoices for payment, adding suppliers to the financial system), and closely monitor transactions where it is not feasible to do so. (2019 Report – Volume 1, p. 157, Recommendation 11; Public Accounts Committee has not yet considered this recommendation as of April 27, 2021)

Status—Partially Implemented

While Northlands College updated its procurement policy and purchasing processes to separate incompatible purchasing duties, it does not always maintain support to show appropriate segregation.

The College updated its procurement policy with provisions to segregate the purchase and receipt of goods and services from payment approval. In addition, through the assignment of IT user access, the College has segregated the ability to add new suppliers to its financial system from payment approval.

We tested 33 purchases and found that the College did not always leave evidence to support that it appropriately segregated purchasing duties. We found:

- Three purchases where the College did not leave evidence of goods or services received
- Eight purchases where the College did not approve the payment in accordance with delegation of signing authority



- Four purchases where the College did not appropriately segregate receipt of goods or services from payment approval

Segregating incompatible purchasing duties between different individuals decreases the risk of fraud, and not detecting errors.

