

Chapter 5

Saskatchewan Health Authority—Purchasing Goods and Services

1.0 MAIN POINTS

The Saskatchewan Health Authority purchases capital assets (e.g., hospital beds, diagnostic machines, buildings), goods (e.g., medical supplies, food, prosthetics), and services (e.g., repairs and maintenance, professional fees) to support the delivery of health services each year. The Authority purchased approximately \$483 million in goods and services directly, which included about \$170 million in capital asset additions.

At February 2022, the Authority had, other than in the following areas, effective processes to purchase goods and services over \$5,000. It needs to:

- Consistently follow its established policies when purchasing goods or services using single or sole source purchasing methods, including when buying with credit cards. Not following policies increases the risk of not treating suppliers fairly and equitably. It also increases the risk of staff making inappropriate purchases, and not obtaining best value.
- Consistently evaluate suppliers when tendering to ensure it awards contracts based on best value. The Authority also needs to ensure staff involved in tender evaluations formally declare any real or perceived conflicts of interest, as well as properly communicate supplier award decisions. Doing so will help the Authority mitigate possible financial, legal, and reputational risks.
- Properly authorize the initiation of purchases and the resulting contracts with suppliers. Appropriate approvals helps ensure the Authority commits to purchases that meet its needs. It also helps to reduce risks in contract disputes.
- Formally assess and track supplier performance. Having a formal supplier evaluation process reduces the risk of using unqualified or inappropriate suppliers.

In addition, we found the Authority needs a more centralized approach for purchasing goods and services over \$5,000 as it could not always provide support (e.g., purchase orders, invoices, tender evaluations) for purchases made. The Authority expects to implement the new Administrative Information Management System (AIMS) in 2022–23. Having a centralized system will enable the Authority to better monitor staff compliance with policies and provide a centralized location to maintain required documentation.

Ineffective purchasing processes increase the risk of the Authority not selecting the most suitable supplier or receiving the best value, and obtaining goods or services that inadequately serve the Authority's needs. In addition, unfair, non-transparent, or biased purchases, could damage the Authority's reputation.



2.0 INTRODUCTION

The Provincial Health Authority Act makes the Saskatchewan Health Authority responsible for planning, organizing, delivering, and evaluating health services within the province. Its mission is to improve Saskatchewan residents' health and well-being, every day, for everyone.¹

To help fulfill its mandate, the Authority purchases goods and services related to the delivery of health services. It purchases capital assets (e.g., hospital beds, diagnostic machines, buildings), goods (e.g., medical supplies, food, prosthetics), and services (e.g., repairs and maintenance, professional fees) to support the delivery of health services each year.

At December 1, 2021, the Authority had 615 contracts with suppliers for goods and services. From April 1, 2020 to February 3, 2022, the Authority publicly tendered 171 new contracts through the SaskTenders website.² The Authority directly established and managed these contracts.

The audit did not include purchases made by the Authority under contracts established by 3sHealth.³ 3sHealth manages contracts with more than 200 suppliers for goods and services. The Authority purchases goods and services under these contracts to ensure it receives best value; however, these contracts are not subject to the Authority's purchasing processes.

As set out in **Figure 1**, in 2020–21, the Authority purchased approximately \$483 million in goods and services directly, which included about \$170 million in capital asset additions. It also included purchases of \$15.1 million in response to the need for new COVID-19 related goods and services (e.g., hand sanitizer, COVID-19 test kits).

Figure 1—The Authority's Purchases of Goods and Services

	2020–21	2019–20
	(in millions)	
Capital asset additions	\$170.3	\$217.1
Contracted out services (e.g., laundry services)	106.9	97.2
Medical and surgical supplies	168.3	150.9
Operations, maintenance, and administration	474.6	456.4
Total purchases of goods and services	\$920.1	\$921.6
Less: Purchases made on 3sHealth contracts ^A	(437.5)	(371.1)
Total purchases subject to audit	\$482.6	\$550.5

Source: Saskatchewan Health Authority, *Annual Report to the Legislature 2020–2021*, pp. 40 and 63.

^A Adapted from information provided by the Saskatchewan Health Authority on contracts established by 3sHealth and the *Annual Report to the Legislature 2020–2021*, amounts paid to suppliers, pp.186–208. The audit did not include purchases made by the Authority under contracts established by 3sHealth.

¹ Saskatchewan Health Authority, *Annual Report to the Legislature 2020–2021*, p. 5.

² SaskTenders is the website that hosts public sector tender notices for Saskatchewan. www.sasktenders.ca/content/public/Search.aspx (16 November 2021).

³ The Authority and 3sHealth have a Supply Chain Partnership Agreement that facilitates the purchase of goods and services for the Authority by negotiating provincial and national group purchasing contracts to obtain the best rates, terms, and conditions when buying goods and services. In 2015, our Office completed a purchasing audit at 3sHealth and made 13 recommendations. See our *2015 Report – Volume 2, Chapter 34*, for the original audit and *2020 Report – Volume 1, Chapter 14* for our most recent follow up showing all implemented recommendations.

The Authority has a centralized purchasing department responsible for purchasing goods and services over \$75,000 (over \$200,000 for construction). Supply chain personnel in various locations are responsible for purchases less than \$75,000.

At the beginning of the COVID-19 pandemic, the Authority acted quickly to purchase various goods, including personal protective equipment and medical devices. Having to purchase goods quickly increased the risk of the Authority not following its purchasing policies; however, having these goods readily available and purchased using its best-value approach remained important for the Authority to consistently deliver health services during the pandemic.

Ineffective purchasing processes increase the risk of the Authority not selecting the most suitable supplier or receiving the best value, and obtaining goods or services that inadequately serve the Authority's needs or specifications. In addition, unfair, non-transparent, or biased purchases, whether perceived or real, could damage the Authority's reputation.

3.0 AUDIT CONCLUSION

We concluded, for the period ended February 28, 2022, the Saskatchewan Health Authority had, other than in the following areas, effective processes to purchase goods and services over \$5,000. The Saskatchewan Health Authority needs to:

- **Follow its policies when purchasing goods or services using single or sole source purchasing methods, including when purchasing with credit cards**
- **When tendering, consistently evaluate suppliers, obtain conflict of interest declarations from staff involved, and properly communicate supplier award decisions**
- **Properly authorize the initiation of purchases and the resulting contracts with suppliers**
- **Establish a process to assess and track supplier performance**

Figure 2—Audit Objective, Criteria, and Approach

Audit Objective:

To assess whether the Saskatchewan Health Authority had effective processes, for the period ending February 28, 2022, to purchase goods and services over \$5,000.

The scope of the audit did not include payments for salaries and benefits to Authority employees, medical remuneration and benefits, and grants to ambulance, healthcare organizations, and affiliates.^A Although these purchases are a key component of the Authority's operations, grants, salaries and benefits are exempt from its purchasing policies.

Audit Criteria:

Processes to:

1. Set policies for purchasing goods and services

- Maintain approved and clear policies for purchasing goods and services
- Align policies with externally-imposed requirements (e.g., *New West Partnership Trade Agreement*, *Canadian Free Trade Agreement*, legislation)
- Keep staff and suppliers informed of purchasing policies

**2. Define the need and specifications for required goods and services**

- Define the need, in sufficient detail, for suppliers' and agency's understanding
- Define specifications to encourage open and effective competition
- Specify other requirements (e.g., warranty, delivery, packaging, performance guarantees)
- Use specifications that align with relevant authorities (e.g., legislation, policies, agreements)

3. Treat potential suppliers equitably and fairly

- Identify feasible sources of supply (e.g., sole source, invited bid)
- Document basis of sourcing decision (e.g., rationale for purchasing method)
- Obtain appropriate authorization to initiate purchase (e.g., approval to tender)
- Obtain quotes fairly (e.g., provide consistent information to suppliers at the same time)

4. Select suppliers for required goods and services

- Evaluate potential suppliers for best value
- Document decision for supplier selection
- Obtain appropriate approval to buy goods and services
- Inform bidders of competitive purchasing decisions
- Formulate written contractual agreements

5. Manage suppliers

- Validate suppliers (e.g., new suppliers, changed information for existing suppliers)
- Pay suppliers in accordance with written contracts
- Track performance of key suppliers
- Report performance problems to suppliers
- Address supplier performance problems promptly

Audit Approach:

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Authority's processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Authority's management agreed with the above criteria.

We examined the Authority's criteria, policies, and procedures relating to purchasing goods and services. We interviewed staff responsible for the purchase of goods and services, including senior management. We assessed the Authority's purchasing processes by examining purchasing documentation (e.g., policies, tender documents, purchase orders, contracts, invoices). In addition, we tested samples of purchases (tenders, quotes, single and sole source, purchase cards, invoices) and supplier change forms.

^A In 2020–21, the Authority paid \$2.8 billion for salaries and benefits, \$529.5 million for medical remuneration and benefits, and \$362.9 million in grants to ambulance services, healthcare organizations, and affiliates.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 More Centralized Approach to Purchasing Goods and Services Coming

The Saskatchewan Health Authority needs a more centralized approach for purchasing goods and services, which the Authority expects to implement with the new Administrative Information Management System (AIMS). The Authority plans to implement AIMS in 2022–23.

The Authority has a centralized purchasing department responsible for purchasing goods and services over \$75,000 (over \$200,000 for construction). However, supply chain personnel in various locations are responsible for purchases less than \$75,000.

As a result, we found the purchasing department does not know whether staff across the Authority are following the procurement policy (e.g., obtaining three quotes) and maintaining the proper support (e.g., invoices).

We also found the Authority has not developed a standard purchase order template for use across the organization. Various locations use their own purchase order templates. We reviewed three purchase order templates and found templates to be missing terms and conditions that align with good practice (e.g., delivery, liability, or authorization of changes to terms and conditions). We encourage the Authority to develop a standard purchase order template aligned with good practice.

In addition, we found the purchasing department could not always provide support (e.g., tender evaluations, conflict of interest declarations) for public tenders. Authority management indicated this was due to staff inconsistently retaining relevant documentation in the expected centralized location (i.e., shared drive). Rather, staff may save documents in locations (e.g., laptop local drive) the purchasing department cannot access.

In 2022–23, the Authority plans to implement the new Administrative Information Management System (AIMS) to replace the current 11 separate financial systems in various locations across the province used to support purchasing. It expects this new system to address a number of the issues identified in this chapter (e.g., maintaining required information in a centralized location, standardized purchase orders). Having a centralized and easily accessible IT system can save an organization money while storing purchasing documents safely. Automation (e.g., three-way matching, automated invoicing) can also minimize repetitive operational purchasing processes.⁴

Having a more centralized system for purchasing goods and services will also enable the Authority to better monitor staff compliance with its procurement policy.

4.2 Comprehensive Procurement Policy Exists

The Saskatchewan Health Authority maintains a comprehensive procurement policy with supplemental procedures for purchasing, competitive bidding, and sole sourcing.

In October 2019, the Authority implemented its Procurement and Competitive Bidding Policy and procedures. The Authority makes these policies and procedures available to staff on its intranet, and uses e-mails to advise staff of changes to them. We found these documents clear, concise, and easy to follow.

In addition, our review of these procurement-related policies and procedures found their content consistent with good practice for purchasing goods and services. For example, the Authority's policies and procedures:

- Outline key principles when making purchasing decisions (e.g., achieve best value, conduct purchasing in a fair and equitable manner)
- Set out available purchasing methods (e.g., competitive requests for quotes and public tenders, non-competitive purchasing methods such as single or sole source purchases)

⁴ Three-way matching is a process that matches the vendor's invoice to the organization's purchase order to the goods received to help avoid paying an incorrect or fraudulent invoice.



- Set out guidance for evaluating potential suppliers when staff use competitive purchasing methods (e.g., quotes, public tender)
- Outline signing authorities for specific positions and types of purchases (e.g., Chief Financial Officer can approve purchases of goods and services up to \$5 million, and capital purchases up to \$15 million)

As shown in **Figure 3**, the procurement policy also sets reasonable dollar-value thresholds to guide staff on which purchasing method to use. Given the Authority's competitive purchasing expectations begin for purchases over \$5,000, our audit focused on purchases greater than that threshold.

Figure 3—Thresholds for Purchasing Methods

Threshold	Purchasing Method
Value less than \$5,000 for products, materials and services (Value less than \$20,000 for construction)	For requisitions and contracts under \$5,000 per commitment for products, materials and services (under \$20,000 for construction per commitment), the person with signing authority responsible for budget may approve the purchases without competitive quotes, if sufficient budget is available. Competitive quotes are encouraged.
Value between \$5,000–\$75,000 for products, materials and services (Value between \$20,000–\$200,000 for construction)	For requisitions and contracts ranging from \$5,000–\$75,000 for products, materials and services (\$20,000–\$200,000 for construction) per commitment, a minimum of three (3) competitive quotes are required where possible.
Value greater than \$75,000 for products, materials and services (Value greater than \$200,000 for construction)	For requisitions and contracts greater than \$75,000 for products, materials and services (\$200,000 for construction) per commitment, all applicable rules of the <i>Canadian Free Trade Agreement</i> and the <i>New West Partnership Trade Agreement</i> are to be adhered to. ^{A,B} A formal, public competitive bid document must be issued.
Value greater than \$365,700 for products, materials and services (Value greater than \$9,100,000 for construction)	For requisitions and contracts greater than \$365,700 for products, materials and services (\$9,100,000 for construction) all applicable rules of the <i>Canada-European Union Comprehensive Economic and Trade Agreement</i> are to be adhered to. ^C A formal, public competitive bid document must be issued.

Source: Saskatchewan Health Authority, *Procurement and Competitive Bidding Policy*, pp. 2–3.

^A *The Canadian Free Trade Agreement* is an intergovernmental trade agreement that came into force on July 1, 2017. Its purpose commits governments to a comprehensive set of rules 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 (19 April 2022).

^B *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%20 (19 April 2022).

^C *The Canada-European Union Comprehensive Economic and Trade Agreement* is a bilateral agreement between Canada and the European Union. It sets new standards for trade in goods and services, non-tariff barriers, investment, government procurement, and other areas such as labour and the environment. www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/ceta_explained-aecg_apercu.aspx?lang=eng (19 April 2022).

We found the Authority's guidance on selecting appropriate purchasing methods aligns with external trade agreements. For example, the *New West Partnership Trade Agreement* requires agencies to use the SaskTenders website to publicly tender purchases of goods and services over \$75,000.⁵

The Authority's procurement policy also sets out guidance for when staff can use non-competitive purchasing methods (e.g., single or sole source purchases). See **Figure 4** for the exceptions used by the Authority.

Figure 4—Exceptions to Competitive Bidding Process

Sole Sourcing or Limited Sourcing: This process will be used when it is either not possible or practical to obtain multiple quotes or responses to tenders as a result of a very limited or specialized marketplace. In the case of sole sourcing, it is necessary to demonstrate that only one supplier is able to meet the needs of the Authority.

Emergency Situations: Purchasing where there is an unforeseeable emergency and the goods, materials and services cannot be obtained by means of an open purchasing procedure. The circumstances may include, but are not limited to, pandemic situations, protection of health, safety and well-being of workers, or prevention or relief of critical shortages of essential goods.

Standardization: Where a product or service has been standardized to a particular specification through a competitive bidding process, and continued standardization to the specific product can be justified. For example, periodic acquisition of equipment, specific consumables or phased-in equipment purchases over a period of time, where a competitive process has previously taken place.

Source: Saskatchewan Health Authority, *Procurement and Competitive Bidding Policy*, p. 3.

For purchases greater than \$5,000 (and \$20,000 for construction), the Authority expects staff to document sufficient rationale for use of non-competitive purchasing methods through its Sole Source and Exceptions Justification Form. Further, staff must obtain approval for all purchases in accordance with its written delegation of signing authority.

Comprehensive policies help reduce the risk of staff making purchases that are either inappropriate or not in accordance with the Authority's expectations. It also helps the Authority to comply with governing trade agreements, be fair and transparent with potential suppliers, and obtain best value.

4.3 Procurement Policy Not Always Followed When Using Credit Cards

The Saskatchewan Health Authority did not always follow its procurement policy, and used non-competitive purchasing methods, when buying goods and services over \$5,000 on credit cards.

At February 28, 2022, the Authority had assigned 611 purchasing cards (i.e., credit cards) to staff.

In September 2021, the Authority drafted a purchasing card policy to apply to all cardholders. The Authority has not yet implemented this policy across the organization; it expects to do so in 2022–23.

⁵ The Ministry of SaskBuilds and Procurement administers the SaskTenders website (www.sasktenders.ca) that is the primary gateway for public sector tender notices for Saskatchewan (7 April 2022).



In the meantime, Authority staff follow purchasing card policies previously implemented at various locations within the Authority. We found these policies, as well as the Authority's draft purchasing card policy, give staff clear and complete guidance on purchasing card use. For example, the Authority expects staff to generally use purchasing cards to buy small dollar value items (i.e., for purchases less than \$5,000).

See **Figure 5** for further details on the Authority's purchasing card policies.

Figure 5—Key Content of the Authority's Current and Draft Purchasing Card Policies

The Authority's purchasing card policies appropriately set out:

- Responsibilities of cardholders (e.g., accountability for purchases, proper security of cards, requirements to submit monthly expense reports) and requirement for cardholders to acknowledge acceptance and understanding of these responsibilities in writing
- Types of unacceptable purchases (e.g., personal, capital asset)
- Single transaction limits and monthly card limits (transaction limits range from \$500–\$5,000, and monthly limits range from \$2,000–\$20,000)
- Monthly process for reconciling transaction statements to supporting receipts, and related approvals
- Expectation that cardholders must not split purchases to bypass single transaction limits

Source: Adapted from information provided by the Saskatchewan Health Authority.

Certain staff (e.g., maintenance, supply chain) have higher single transaction limits (e.g., \$10,000) to allow them to do their job effectively. If staff need to make purchases in excess of their approved individual transaction limit, they can request a temporary increase to their limit.

We reviewed the individual transaction limits for a sample of five credit cardholders. We found their limits to be reasonable based on their job duties (e.g., supply chain). For two of these cardholders, we noted they each purchased one item greater than their existing individual transaction limits—we found the Authority properly approved temporary limit increases for these transactions.

Between April 1, 2020 and November 30, 2021, we found staff made 41 purchases on credit cards in excess of \$5,000. Credit card purchases ranged from just over \$5,000 to \$34,500 in value. We tested a sample of 32 of these purchasing card transactions over \$5,000 and found appropriate staff approved transactions, and transactions agreed to support (e.g., receipts). We found all purchases appeared to be for appropriate business purposes.

However, the Authority did not always comply with its procurement policy for these purchases, therefore may not have obtained best value in all instances. We found:

- Fifteen transactions where the Authority obtained goods or services from a sole or single supplier and did not document rationale, nor approval, to do so. Of these transactions, in three instances, we determined the Authority should have obtained three quotes prior to selecting the suppliers. For example, the Authority purchased vaccine temperature indicators from a supplier because it used the supplier in the past. The Authority should have obtained quotes to ensure it was still receiving the best value for the item.

- For six of the 15 transactions the Authority obtained from a single or sole source, management indicated the COVID-19 pandemic disrupted the supply chain; therefore, it had limited options to obtain the goods or services. However, staff did not complete the Sole Source and Exceptions Justification Form as expected by the procurement policy.
- For one transaction, staff purchased a capital-related item (office furniture worth \$9,600), which is not allowed per the purchasing card policy.
- Three transactions where the Authority did not provide supporting information (e.g., quotes) to determine the purchasing method, which demonstrates the importance of a centralized IT system to store purchasing documents safely (see **Section 4.1**).

When the Authority does not follow its procurement policy when using credit cards to purchase goods and services over \$5,000, it is at risk of not treating suppliers fairly and equitably, and may not obtain best value when making purchasing decisions.

1. **We recommend the Saskatchewan Health Authority follow its single and sole source requirements when using credit cards to purchase goods and services over \$5,000.**

4.4 Requirements for Single and Sole Source Purchases Not Followed

The Saskatchewan Health Authority neither consistently documented rationale nor sought approval for the use of single and sole source purchases as expected in its procurement policy.⁶

We tested 23 single or sole source purchases made by the Authority—these purchases included buying goods and services such as water purification systems and software licences. Our testing of these purchases found the Authority:

- Did not complete the justification form for 17 purchases
- Did not properly complete the justification form and document its rationale for using single or sole source purchasing for two purchases
- Did not obtain appropriate approval for the purchase (e.g., approved by staff who did not have capital-asset signing authority) for three purchases

Through our testing of purchasing card transactions (see **Section 4.3**), we identified a further 15 single or sole sources purchases where the Authority did not document its rationale, nor its approval, for single or sole source purchases.

⁶ The Chartered Institute of Procurement and Supply defines single source as purposely choosing a single supplier even though others are available. Sole source is when only one supplier for the required item is available. www.cips.org/en-sg/knowledge/procurement-topics-and-skills/strategy-policy/models-sc-sourcing--procurement-costs/single-sourcing-vs-sole-sourcing/ (13 April 2022).



When the Authority does not follow its policy when using single or sole source purchasing, the Authority is at risk of not treating suppliers fairly and equitably, and may not obtain best value when making purchasing decisions.

2. We recommend the Saskatchewan Health Authority follow its procurement policy (e.g., document rationale) when using single or sole source purchasing methods.

4.5 Purchase Initiation Not Properly Authorized

The Saskatchewan Health Authority did not always properly authorize the initiation of purchases consistent with its delegation of signing authority.

The Authority uses either contracts or purchase orders as legally-binding purchase documentation. Only Authority staff with written delegation of signing authority are authorized to sign contracts and purchase orders, hence making financial commitments to other parties on behalf of the Authority.

The Authority requires staff to use a contract or purchase order depending on the purchase threshold:

- For purchases between \$5,000 and \$75,000, individual business units and staff in various parts of the province are knowledgeable of suppliers frequently used for various types of purchases. After staff obtain three quotes, they issue a purchase order with purchase details including quantity and description, supplier information, and shipping location.

The Authority requires staff with the appropriate delegation of authority to approve purchase orders.

- For purchases greater than \$75,000, the Authority's Procurement Department determines sources of supply through the public tender process. The Authority requires staff to formally document the sourcing decision on its Procurement Confirmation Form that sets out the tender's details such as a preliminary description and specifications of the product or service, total approved budget, and contract term.

The form must be approved by the Executive Director or Director of the area of responsibility, as well as the Director of Procurement.

We tested 41 purchases and found the Authority:

- Did not properly authorize the purchase orders for two of 28 purchases. For example, a manager approved a purchase over \$50,000 instead of the appropriate director.
- Did not properly approve the Procurement Confirmation Form in four of 13 instances (one form was unsigned; three forms were signed by individuals who did not have the appropriate authority).

The Authority was unable to provide us with either the Procurement Confirmation Form for three purchases or the purchase orders for six purchases; therefore, we could not confirm proper authorization. This illustrates the importance of having a centralized IT system to store purchasing documents safely (see **Section 4.1**).

Inappropriate approvals for purchase initiation increases the risk of the Authority committing to purchases that either do not meet its needs or do not provide best value.

3. We recommend the Saskatchewan Health Authority authorize the initiation of purchases consistent with its written delegation of signing authority.

4.6 Standard Tender Documentation Used for Public Tenders

The Saskatchewan Health Authority maintains standard tender documentation to release to the public to help ensure tender bidders clearly understand not only what the Authority seeks to purchase, but also to promote fair and efficient competition.

The Authority uses subcommittees to conduct each of its public tenders. Subcommittees usually consist of three to five people typically including purchasing staff, subject matter experts (e.g., IT experts, medical staff), and individuals with prior experience about the type of purchase.

The Authority uses templates to guide subcommittee members in developing detailed tender documents (e.g., request for proposals) for the purchase of goods, services, and construction management services. The templates include considerations such as product quantities, any technical requirements, supply period, delivery timing, and product performance requirements. The templates also include sample evaluation criteria the subcommittee will use to evaluate bidder proposals.

We reviewed the Authority's tender templates and found the templates provide staff with sufficient guidance on the various specifications to include, as well as align with relevant authorities (e.g., legislation, policy, external trade agreements).

The Authority posted 171 public tenders between April 1, 2020 and February 3, 2022 on SaskTenders.

We tested 13 tenders and found the Authority:

- Provided sufficient descriptions of specifications to enable suppliers to bid on the tender (e.g., nature/quantity of goods or services, supplier requirements, timeframe)
- Included other requirements where necessary, such as warranty and completion dates for the tenders
- Used specifications that aligned with relevant authorities (e.g., external trade agreements)



- Communicated its purchasing process (e.g., process for addressing clarification questions, notification methods, tendering period) and evaluation criteria (including weightings)

Overall, we found suppliers were given sufficient time to prepare tender responses.

Having standard tender documentation promotes consistency across comparable purchases, and can save time. This also results in the Authority providing clear and fair information about the specific purchasing opportunity.

4.7 Supplier Evaluations for Tenders Not Consistently Documented

The Saskatchewan Health Authority inconsistently evaluated suppliers when tendering for the purchase of goods and services.

Subcommittee members use tender evaluation criteria to score each bid received on a tender. Purchasing staff combine the results from subcommittee members within a scoring matrix to provide an overall score for each proposal.

We tested 13 tenders and found the Authority used a subcommittee to evaluate the bids for 10 of these tenders. For these 10 tenders, we found each subcommittee consisted of individuals with relevant experience (e.g., engineering consultants, physicians, plant and maintenance managers), and subcommittee members evaluated bids to inform the scoring matrix.

However, in one instance, we found the evaluation criteria used by subcommittee members did not align with the criteria the Authority communicated in the tender documents (e.g., pricing in the tender document was weighted at 30% but 25% was used in the evaluation). We noted the Authority evaluated all of the bids using the same weighted criteria and selected the proposal with the highest score. This oversight did not impact the Authority's award decision. However, having differences in weighting from the original evaluation criteria does not align with good practice and decreases the evaluation process' transparency. This can increase the risk of dissatisfied suppliers or not selecting the appropriate supplier based on the established criteria.

In addition, for the three remaining tenders tested, we found the Authority:

- Received only one bid for two of the tenders. The Authority did not use the evaluation criteria to assess these two suppliers. Good practice suggests still completing the evaluation under such circumstances to determine whether the potential supplier meets the Authority's needs.
- Did not provide us with the evaluation support for one tender worth \$726,000; therefore, we do not know whether the Authority fairly evaluated suppliers and awarded the contract based on best value. This could pose financial, legal, and reputational risks to the Authority. A centralized IT system to store purchasing documents will help to prevent this from happening in the future (see **Section 4.1**).

Not properly completing evaluations for all tenders increases the risk of selected suppliers not sufficiently meeting the Authority's needs. Without documented evaluations, the Authority cannot sufficiently support its decisions for supplier selection, and demonstrate achievement of best value.

4. We recommend the Saskatchewan Health Authority consistently evaluate potential suppliers when tendering for the purchase of goods and services.

4.8 Conflict of Interest Declarations Not Always Completed

Saskatchewan Health Authority staff involved in tender evaluations do not always declare conflicts of interest as required by policy.

The Authority's procurement policy requires tender subcommittee members to declare any potential or perceived conflicts of interest in accordance with the Authority's Conflict of Interest Policy. The Authority provides guidance to members on scenarios that may present a conflict of interest, such as a friendship or familial relationship with a potential supplier, or a direct or indirect financial interest in a potential supplier.

For eight of the 13 tenders we tested, we found subcommittee members completed conflict of interest declarations as expected. For one tender, we found a member declared a conflict of interest, and appropriately removed themselves from the subcommittee. For the remaining five tenders, the Authority was unable to provide us with the completed declarations. Having a centralized IT system to store purchasing documents should help to address this (see **Section 4.1**).

Staff with real or perceived conflicts of interest may be biased in their decision-making. Not requiring subcommittee members to complete conflict of interest declarations, or not effectively maintaining declarations, increases the risk of the Authority not being able to illustrate fair and equitable treatment of potential suppliers.

5. We recommend the Saskatchewan Health Authority obtain conflict of interest declarations from tender subcommittee members, as required by its conflict of interest policy.

4.9 Supplier Award Decisions Not Always Properly Authorized

The Saskatchewan Health Authority did not always properly authorize supplier award decisions.

Once the tender subcommittee determines the scoring matrix for a tender, the project lead prepares a recommendation for award using the Authority's Contract Authorization to Proceed Form. This form outlines key information on the decision for supplier selection (e.g., details of contract, budget, scores of all bidders). As indicated on the form, it must be approved in accordance with the Authority's delegation of authority. Approval of the form documents the Authority's approval to award a tender to the selected supplier.



We tested 13 tenders and found the Authority did not always properly authorize decisions for supplier selection. However, in all instances where the Authority provided support for the tenders (see **Section 4.7**), it appropriately awarded the contract to the highest scoring supplier.

We found the Authority:

- Did not authorize the supplier selection (i.e., unsigned form) for two tenders. In one instance, the Authority appropriately approved the contract with the selected supplier. However, in the other instance, the Authority also did not approve the related contract (i.e., the contract was also unsigned). See **Recommendation 7**.
- Did not authorize the supplier selection in accordance with its delegation of authority (e.g., an Executive Director should have approved the supplier selection rather than a Director) for one tender. We also found the contract was not appropriately approved, as an individual with capital-asset signing authority did not sign the contract as required. See **Recommendation 7**.
- Approved the supplier selection two days after signing a contract with the successful supplier for one tender.

The Authority was unable to provide us with the Contract Authorization to Proceed Form for one tender; therefore, we were unable to assess proper authorization. However, we found only one supplier bid on this tender, and the Authority appropriately approved the contract.

Section 4.12 further describes our findings and recommendation associated with the Authority's contract authorization.

4.10 Improved Communication of Supplier Award Decisions Needed

The Saskatchewan Health Authority did not consistently communicate supplier award decisions to suppliers as required.

Once the appropriate signing authority approves the recommended supplier for the tender award, the Authority notifies the successful bidder with a letter of intent. It also sends letters of regret to all unsuccessful bidders after it signs the contract with the successful bidder. Staff use template letters for communicating results, which appropriately notify bidders whether they were successful, or not.

We tested 13 tenders and found the Authority:

- Did not send letters of regret to the unsuccessful bidders for one tender
- Did not send out a letter of intent to the successful bidder for two tenders

The Authority was unable to provide support for five tenders; therefore, we were unable to assess whether communications with suppliers occurred. Having a centralized IT system to store purchasing documents may help address this (see **Section 4.1**).

The Authority has not set timelines for sending the letters to suppliers. However, we found the Authority sent letters in a timely manner, between 1–30 days after bidding closed.

In addition, the Authority requires staff to publicize contract award notices within 72 days of awarding the contract (e.g., posting notices on the SaskTenders website). Management noted it is the responsibility of the tender project lead to update SaskTenders' website.

For seven of the 13 tenders we tested, we found the Authority did not update the SaskTenders website with contract award details. We also found one instance where the Authority posted award details 142 days after awarding the contract. Management indicated the delay was due to staff oversight.

We also analyzed the status of 171 public tenders the Authority completed between April 1, 2020 and February 3, 2022. We found the Authority did not have contract award information posted on SaskTenders for approximately 75% of its public tenders during that period.

Not communicating supplier award decisions makes it difficult for the Authority to demonstrate that its purchasing process is fair and transparent, and it may be in violation of external trade agreements.

6. We recommend the Saskatchewan Health Authority consistently communicate supplier award decisions for public tenders as required by its procurement policy.

Through its public tender documents (e.g., request for proposal), the Authority communicates steps for bidders to request a debrief session, or to file a complaint.

The debrief process provides both the Authority and bidders (both successful and unsuccessful) an opportunity to provide comments and feedback on the public tender process. Between April 1, 2020 and February 3, 2022, the Authority held about 350 debriefs (an average of two bidders per purchase).

If a bidder feels either the Authority did not treat them fairly or the tender process was biased, they can file a complaint. The Authority will review relevant documents to resolve the complaint. Between April 1, 2020 and February 28, 2022, the Authority received two complaints. It resolved one complaint, but continues to resolve the other; both had allegations of unfair tender processes.

4.11 Robust Contract Templates Used

The Saskatchewan Health Authority established, and consistently used, robust contract templates when drafting and finalizing contracts with suppliers.

The Authority developed standard contract templates for the different types of goods or services it purchases (e.g., goods, services, construction). According to Authority management, in 2018, the Authority's legal counsel reviewed its contract templates. We assessed the templates and found they aligned with good practice.



The Authority uses either contracts or purchase orders as legally-binding purchase documentation. When staff use contracts, the Authority expects them to use these templates when drafting the contracts. For each of the 44 purchases we tested where the Authority had support, the Authority used the appropriate contract or purchase order as expected.

Maintaining robust standard wording of contracts (contract templates) helps organizations to save time on purchasing activities, and can reduce legal costs. They can also help both staff and suppliers consider and understand key aspects common to purchasing certain types of goods and services.

4.12 Some Contracts Not Properly Authorized

The Saskatchewan Health Authority did not always properly authorize contracts.

After the Authority approves the recommended supplier, it will enter into a contract (i.e., written contract or purchase order) with that supplier. For 37 of the 54 purchases we tested (made through tenders, quotes, and single or sole sourced purchasing methods), the Authority appropriately completed and authorized the contracts or purchase orders for these purchases.

However, for the remaining 17 purchases tested, we found:

- One written contract was not signed by either the Authority or the supplier.
- Five contracts (three written contracts; two purchase orders) were not approved in accordance with the Authority's delegation of signing authority. For example, the Authority purchased a piece of capital equipment for about \$370,000, but individuals with capital-asset signing authority did not authorize the contract.
- Eleven contracts where the Authority was unable to provide us with the related purchase order or written contract; therefore, we were unable to assess the authorization associated with these contracts. Again, this further supports the need for having a centralized IT system to store purchasing documents (see **Section 4.1**).

Not executing contracts in accordance with expectations (e.g., not in accordance with delegation of signing authority) increases the risk of the Authority making inappropriate purchases, being vulnerable in contract disputes, and not receiving expected goods or services when needed.

- 7. **We recommend the Saskatchewan Health Authority authorize contracts for goods and services in accordance with its delegation of authority.**

4.13 Suppliers Paid Appropriately

The Saskatchewan Health Authority paid its suppliers consistent with approved purchase orders and contracts.

The Authority's Finance departments process supplier invoices. Authority staff are to ensure the payment is properly authorized and goods are received before the payment is made. The Authority pays suppliers after staff match invoices to approved purchase orders/contracts.

For each of the 43 purchases we tested (where support was provided), invoices/payment amounts matched approved purchase orders/contracts. For the other 11 purchases, the Authority was unable to provide us with support (e.g., contracts, invoices). Having a centralized IT system to store purchasing documents should help address this (see **Section 4.1**).

Also, as noted in various sections, the Authority is not identifying non-compliance with its procurement policies when processing payments. We found:

- Contracts are not always properly approved—see **Section 4.12**
- Sole and single source purchases are not sufficiently justified—see **Section 4.4**
- Purchases were not approved by the appropriate level of staff—see **Section 4.4**
- Purchase initiations (e.g., purchase orders) were not properly authorized—see **Section 4.5**

Staff responsible for processing payments can play an important role in detecting non-compliance with procurement policies and reinforcing their importance.

4.14 Validity of Suppliers Not Confirmed, Separation of Incompatible Duties Needed

The Saskatchewan Health Authority does not always document due diligence procedures taken to confirm the validity of suppliers before paying them, and has not adequately segregated incompatible duties related to paying suppliers.

Numerous staff within the Authority have the ability to change or set up new suppliers in various financial systems. As a result, there is not one comprehensive master listing of suppliers. The Authority was unable to tell us how many total suppliers it has in these various systems. Furthermore, it does not periodically review the list of suppliers and remove any suppliers no longer used. The Authority will have to ensure it removes any duplicate suppliers before it transfers suppliers into the new IT system—AIMS (see **Section 4.1**).

The Authority requires staff to complete a supplier change form when creating or changing supplier information. Supplier information in the various financial systems includes the supplier's name, vendor number, address, and banking details. The Authority expects staff to confirm the validity of suppliers (e.g., confirm GST or PST number, phone call) and appropriately approve the supplier change form prior to setting up a new supplier or changing a supplier's information.



We tested a sample of 29 supplier changes and found staff did not:

- Approve 15 supplier changes
- Maintain support to confirm validity for one supplier change

In addition, we found certain staff have the ability to both enter new suppliers into the financial system and approve invoices for payment. This increases the risk that staff could set up a fictitious supplier and bill the Authority for goods and service not provided.

We reported similar findings in our *2021 Report – Volume 2*, Chapter 11. We recommended the Saskatchewan Health Authority separate incompatible duties. The Standing Committee on Public Accounts agreed with this recommendation on March 1, 2022.

Not confirming the validity of suppliers before adding or updating them in the financial system, along with inadequately separating incompatible duties, increases the risk of fraud and not detecting errors. In addition, it increases the risk of making payments to fictitious suppliers.

4.15 Performance of Suppliers Not Periodically Assessed

The Saskatchewan Health Authority does not periodically assess supplier performance.

Various supply chain staff within the Authority meet daily (via virtual meetings) to discuss supply chain issues, supplier issues, and upcoming purchases. They maintain a daily huddle action-log that tracks progress on supply chain issues to help monitor issue resolutions. For example, we found staff documented when they expect to receive supplies or whether they should consider a substitute.

Per our review of the action-log between August 10, 2021 and March 21, 2022, staff did not note any supplier performance issues.

The Authority does not formally assess whether suppliers performed to a satisfactory level (e.g., timelines met, quality of the work acceptable) after the conclusion of the contract or after its receipt of goods and services.

Good practice suggests using formal processes to assess the performance of suppliers so an organization knows which suppliers it can use in the future. It also suggests documenting assessment results so it can be shared with all areas involved in purchasing decisions. This allows for appropriate consideration of supplier performance when making future purchasing decisions.

Assessing suppliers at the conclusion of a contract is important as assessments can affect whether suppliers are selected for future projects. Without a consistent process to assess and track supplier performance, the Authority increases its risk of using unqualified or inappropriate suppliers (e.g., use of suppliers who did not perform as expected in the past).

8. We recommend the Saskatchewan Health Authority establish a formal process to assess and track supplier performance.

5.0 SELECTED REFERENCES

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