

Chapter 21 Saskatchewan Research Council—Purchasing Goods and Services

1.0 MAIN POINTS

By December 2022, Saskatchewan Research Council made some progress in implementing five recommendations we made in 2020 about its processes to purchase goods and services. It implemented one recommendation, partially implemented two others, and made no progress on two additional recommendations.

SRC established policies and procedures requiring staff to adhere to individual transaction limits when using purchasing cards (p-cards). Its policy includes a requirement that cardholders do not split transactions to avoid violating the maximum transaction limits on their p-cards, and SRC monitors p-card usage on individual transactions over the maximum transaction limit.

SRC now periodically reviews p-card transaction limits, including temporary limit increases; however, there is no formal policy for monitoring purchase limits or for cardholders to notify management to reduce transaction limits once they make a purchase. Improvements are needed to reduce temporary transaction limits to approved limits in a timely manner.

SRC improved its communication to suppliers by posting tenders publicly on SaskTenders and notifying all bidders in writing, but it has not updated policies and guidance to align with these processes or formally set how long tenders should remain open. It also needs to formally consider supplier performance when selecting suppliers for projects.

Effective purchasing processes are key to ensuring purchases are transparent, fair, and support SRC's achievement of best value. Effective purchasing processes use public resources wisely and maintain SRC's reputation.

2.0 INTRODUCTION

Saskatchewan Research Council is Canada's second largest research and technology organization with 1,400 clients in 23 countries, primarily in the mining, minerals and energy sector. SRC helps clients solve technology problems, maintain competitiveness, increase productivity and develop new markets.¹ A Cabinet appointed Board of Directors oversees SRC.² The Board has responsibility for strategic planning, risk oversight, and monitoring of financial and business performance.³

The SRC head office in Saskatoon employs over 300 staff encompassing a range of science and engineering specialties.

¹ www.src.sk.ca/who-we-are/about-us (21 February 2023).

² Cabinet appoints the Board under the authority of *The Research Council Act*.

³ Saskatchewan Research Council, *SRC Annual Report 2021–22*, p. 8.



SRC routinely purchases goods and services related to the delivery of research, including development, design, consultation, and other services. In 2021–22, SRC had revenues of \$275.9 million along with expenses of \$275.7 million.⁴ As of March 31, 2022, SRC had assets of \$189.5 million, including \$56.2 million in tangible capital assets.

2.1 Focus of Follow-Up Audit

This chapter describes our first follow-up audit of Saskatchewan Research Council's actions on the five recommendations we made in 2020.

Our *2020 Report – Volume 1*, Chapter 10, concluded that for the 12-month period ended November 30, 2019, SRC had, except for the five areas where we made recommendations, effective processes to purchase goods and services.⁵

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

To complete this follow-up audit, we discussed actions taken with management. We reviewed p-card transactions and cardholder limit extensions, tender bid processes, and postings on SaskTenders.

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 December 8, 2022, and SRC's actions up to that date.

3.1 Communication Process with Suppliers Improving

We recommended the Saskatchewan Research Council establish expectations about when and how to communicate results of tenders for purchases with suppliers. (*2020 Report – Volume 1*, p. 124, Recommendation 1, Public Accounts Committee has not yet considered this recommendation as of May 5, 2023)

Status—Partially Implemented

Saskatchewan Research Council improved its processes to communicate the results of public tenders; however, it has not updated policies and guidance to align with these processes.

⁴ Saskatchewan Research Council, *SRC Annual Report 2021-22*, pp. 13 and 29. SRC's salaries expense accounts for 10% of SRC's total expenses.

⁵ *2020 Report – Volume 1, Chapter 10*, pp.119–133.

SRC posts all tenders on the SaskTenders website, including the results of winning bidders once they select a supplier.⁶ SRC posts this information after obtaining all required approvals and completing the bid evaluation process. *The Canadian Free Trade Agreement*, to which SRC is subject, requires public contract award notices.

We tested four public tenders and SRC appropriately posted the results for all four tenders.

SRC has not developed formal guidance on how and when it expects staff to communicate the results of its tenders to successful and unsuccessful suppliers. Informally, SRC uses letters of intent and letters of regret to inform successful and unsuccessful bidders respectively. SRC management document and retain all communications with successful and unsuccessful bidders, including when an unsuccessful bidder requests a debrief on their proposal.

We tested four public tenders and found that SRC appropriately sent out letters of intent and regret to each successful and unsuccessful bidders for all four tenders. For each tender, we found SRC obtained the appropriate approval before communicating with bidders through the letters. We found that SRC sent out letters to successful bidders within two days of choosing the successful bidder. SRC also sent out letters to unsuccessful bidders within one week of finalizing contracts or purchase orders.

Not establishing formal expectations for communication with successful and unsuccessful suppliers responding to public tender requests increases the risk of SRC not demonstrating the fairness, transparency, and timeliness of its purchasing decisions. Also, not establishing expectations increases the risk of communication with suppliers not occurring as expected when staff turnover occurs.

3.2 Guidance to Set Tendering Timeframes Needed

We recommended the Saskatchewan Research Council establish guidance on setting the amount of time to allow suppliers to respond to tenders.

(2020 Report – Volume 1, p. 125, Recommendation 2; Public Accounts Committee has not yet considered this recommendation as of May 5, 2023)

Status—Not Implemented

Saskatchewan Research Council has not developed guidance or formal expectations to help staff establish how long to leave tenders open to allow suppliers sufficient time to respond.

SRC does not have any formal expectations for staff to document their rationale on how long to leave a tender open (e.g., longer period based on project complexity). Good practice recognizes the open tender period can vary depending on the complexity and size of the

⁶ The Ministry of SaskBuilds and Procurement administers the SaskTenders website (www.sasktenders.ca) (27 March 2023). SaskTenders is the primary gateway for public sector tender notices for Saskatchewan. The external trade agreements (*Canadian Free Trade Agreement* and *New West Partnership*) establishes thresholds requiring organizations to post tenders on the SaskTenders website. These are required for procurements exceeding \$75,000 for goods or services, and \$200,000 for construction.



purchase; more complex or larger purchases should give suppliers more time to respond. In our testing of four purchases, we found the open tender period was within good practice (i.e., 25–35 days) for one of the four purchases. We did not see any evidence that staff evaluated how long to leave a tender open for each purchase.

SRC uses an informal minimum timeframe of 14 days to respond to tenders; however, this is a guideline, as staff occasionally use shorter periods depending on the nature of the purchase. For example, SRC uses shorter periods for request for quotations if there are limited suppliers and the product is available (i.e., SRC will not use a two-week tender period for an off-the-shelf product as extra time will not typically result in additional bidders).

Not having formal guidance on how much time to give suppliers to respond to tenders increases the risk of not giving suppliers sufficient time to respond. This increases the possibility of suppliers choosing not to respond or providing incomplete responses, resulting in fewer viable options. In addition, establishing guidance can help SRC treat suppliers fairly and equitably, and achieve best value.

3.3 Purchasing Card Policies Followed

We recommended the Saskatchewan Research Council monitor compliance with its policy for individual transaction limits when using purchasing cards. (2020 Report – Volume 1, p. 126, Recommendation 3; Public Accounts

Committee has not yet considered this recommendation as of May 5, 2023)

Status—Implemented

Saskatchewan Research Council followed its policy for purchasing card transaction limits.

SRC expects staff to use p-cards to buy smaller dollar value items, generally for purchases under \$5,000, and it now uses the same transaction limit (i.e., \$5,000) for all of its p-cards. SRC's payment system prevents purchases over the p-card limit, thus the cardholder must request a limit extension to make the purchase.

The Purchasing Card Policy and Purchasing Card Procedures gives staff clear and complete guidance on the use of p-cards. SRC reviews the policy and procedures annually.

These policies and procedures include a requirement that staff must not split purchases in order to bypass single transaction limits. We identified two transactions between January 1, 2022 and December 10, 2022 where staff potentially split transactions, but both transactions included sufficient support indicating staff appropriately followed SRC policy (i.e., staff did not circumvent policy to make the purchase using a p-card).

Adhering to p-card policies and procedures reduces the risk employees make inappropriate purchases on p-cards.

3.4 Monitoring of Purchasing Card Limits Needs Strengthening

We recommended the Saskatchewan Research Council monitor the continued appropriateness of individual transaction limits on purchasing cards when approving temporary changes to dollar value limits for special circumstances. (2020 Report – Volume 1, p. 127, Recommendation 4; Public Accounts Committee has not yet considered this recommendation as of May 5, 2023)

Status—Partially Implemented

While Saskatchewan Research Council improved its processes to monitor purchasing card transaction limits when it approves temporary limit increases and extensions, further work is needed to return temporary limits to previously approved amounts in a timely manner.

SRC's P-Card Administrator reviews current purchase limits every few months for any changes (e.g., assessing whether limit increases have approvals, giving extensions or limit increases). There is no formal policy for monitoring purchase limits or for cardholders to notify the P-Card Administrator to return temporarily increased transaction limits to prior approved limits once they make a purchase. SRC staff indicated they do expect temporary increases to p-card transaction limits to return to previous limits within 60 days, although this is not formally documented and approved.

We tested eight p-card transactions where staff required a temporary transaction limit increase. For these purchases, we found:

- Four transactions where SRC obtained the appropriate approvals and appropriately reduced the transaction limit to \$5,000 within 60 days.
- Three transactions where SRC did not reduce transaction limits to previous limits (i.e., \$5,000) within 60 days (i.e., limit reduced between 82 and 152 days). For one of these transactions, SRC sent a timely request to its financial institution to reduce the limit; however, the limit remained increased for approximately four months and SRC did not follow up with the bank.
- One transaction where staff did not obtain all appropriate approvals before SRC increased the transaction limit to make the purchase. SRC appropriately reduced the limit to the previous limit amount within 60 days.

Not actively monitoring and returning temporary increases to cardholders p-card transaction limits to prior established transaction limits increases the risk of cardholders making inappropriate purchases or purchases not in accordance with SRC expectations.

3.5 Monitoring of Supplier Performance Required

We recommended the Saskatchewan Research Council establish a formal process to assess and track supplier performance. (2020 Report – Volume 1, p. 133, Recommendation 5; Public Accounts Committee has not yet considered this recommendation as of May 5, 2023)

Status—Not Implemented



Saskatchewan Research Council does not formally assess, and document the results of, supplier performance. Rather, SRC takes an informal approach where staff discuss issues as they arise with suppliers and after they complete the project to address performance issues.

We tested four tenders and found SRC did not document evidence that staff considered supplier performance when evaluating suppliers in the selection process. Additionally, SRC has not developed a formal process to track suppliers' performance that key staff can use when evaluating future tenders.

Without a consistent process to assess and track the performance of suppliers, SRC increases its risk of using unqualified or inappropriate suppliers (i.e., those who did not perform well on past projects).