

## Chapter 23

# Northlands College—Purchasing Goods and Services

### 1.0 MAIN POINTS

Northlands College has more work to do to improve its processes for purchasing goods and services. Of the nine outstanding recommendations from our 2019 audit, the College implemented one and partially implemented eight recommendations.

The College updated its purchasing policy outlining requirements for using single source purchasing, declaring conflicts of interest when involved with purchasing transactions, establishing tendering timeframes, segregating incompatible purchasing duties, and using purchase orders and contracts.

However, College staff did not always follow the purchasing policy, which increases the risk the College is not facilitating fair and equitable treatment of suppliers and not detecting fraudulent or erroneous purchases. Further, because the College is not utilizing robust purchase templates, it can be exposed to increased legal or financial risks.

While the College set transaction limits for individual purchases on its credit cards, we found it did not restrict cardholders' ability to make purchases over established transaction limits in its credit card system. Additionally, we found instances of staff splitting credit card purchases to make purchases over established transaction limits.

Finally, the College does not document its due diligence procedures to validate new suppliers before entering them into its financial system, or document approved changes to existing suppliers (such as a change in banking information). This increases the risk of making payments to fictitious suppliers.

We also made a new recommendation related to the College's non-compliance with established policies for travel expense claims and corporate credit cards. For example, we found two instances where a corporate credit card was used for personal reasons (the individual later reimbursed the College). We also found senior management incurred travel expenses without adequate support or prior approval, including an international trip costing the College roughly \$19,000. Lack of appropriate support and approval increases the risk of inappropriate or fraudulent purchases by staff.

### 2.0 INTRODUCTION

#### 2.1 Background

Northlands College is one of six regional colleges operating in Saskatchewan. It provides educational programs and services in health and wellness, university studies, trades and technology, and flexible learning.<sup>1</sup>

<sup>1</sup> *Northlands College Strategic Plan 2023–2028*, p. 2.



Northlands College operates in northern Saskatchewan, with campuses in Buffalo Narrows, La Ronge, Air Ronge, and Creighton; its head office is in Air Ronge. The College employs just over 100 full-time equivalent positions serving about 1,000 students each year. In 2022–23, the College bought roughly \$7 million in goods and services.<sup>2</sup>

*The Regional Colleges Act* makes Boards of Directors of regional colleges responsible for developing policies about administration, operations, and financial administration.<sup>3</sup> The Ministry of Advanced Education oversees regional colleges and may provide direction to regional colleges regarding their operations or programs.

## 2.2 Focus of Follow-Up Audit

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

We concluded Northlands College had effective processes to purchase goods and services for the 12-month period ending November 30, 2018, other than the areas of our 11 recommendations.<sup>4</sup> By March 2021, the College implemented two recommendations.<sup>5</sup>

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 carry out 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, tendering documents, purchase orders, contracts, invoices). We tested a sample of purchases to assess the operating effectiveness of the College's processes.

## 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 June 30, 2024, and Northlands College's actions up to that date.

### 3.1 Purchasing Guidance Established But Not Always Followed

***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 agreement September 6, 2022)

**Status**—Partially Implemented

<sup>2</sup> Schedule 3 (Agency Contracts, Operating, Facilities, Equipment & Information Technology), *Northlands College 2022–23 Annual Report*, p. 63.

<sup>3</sup> *The Regional Colleges Act*, section 12.

<sup>4</sup> *2019 Report – Volume 1, Chapter 9*, pp. 141–157.

<sup>5</sup> *2021 Report – Volume 1, Chapter 21*, pp. 231–240.

Northlands College updated its purchasing policy in November 2021 to:

- Align with applicable external trade agreements
- Require purchasing decision-makers to submit written declarations of any real or perceived conflicts of interest prior to procuring any goods or services
- Set out expectations for when contracts should be used in procurement transactions

However, we found staff did not always comply with the updated policy.

We tested 38 purchase transactions. Staff did not declare any conflicts of interest for these purchasing decisions.

However, we found one instance where the College entered into a 12-month lease agreement with one of its staff who owned the leased building and was potentially involved in the purchasing decision. College management was not only unable to provide any written documentation showing a declared conflict of interest for this lease transaction, but management was also unable to provide documented rationale for choosing this property to lease (i.e., a sole source purchase).

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 or obtaining the best value for College purchases.

We also found for seven out of 38 purchases tested, staff did not utilize either a contract or purchase order and one instance where staff created a purchase order after the goods were purchased. Purchase orders and contracts allow for appropriate approvals before committing to purchase goods or services.

## 3.2 Single and Sole Source Purchases Not Always Rationalized

***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 agreement September 6, 2022)

**Status**—Partially Implemented

Northlands College has set out, in writing, requirements for staff use of single source purchasing, but not for sole source purchasing.<sup>6</sup> While its policy does include a definition of sole source purchasing, it does not specify associated requirements. We expect the requirements for sole source purchases to be similar to those for single source purchases. The College did not always rationalize single source and sole source purchases.

Per discussion with College management, and from the policy for single source, staff are expected to document their rationale and obtain authorization from the Vice President of Finance and Operations or the President & CEO when making a single source purchase.

<sup>6</sup> Single source purchasing is defined as choosing a supplier from several options without requesting quotes while sole source purchasing is choosing the only available supplier for the required good or service.



Expectations for sole source purchasing should be clearly outlined in policy, otherwise there is a risk of staff not following the informal policy as intended.

We tested 47 purchases and found 30 items where documentation, including quotes or tendering, could not be provided. Management was also unable to provide any documented rationale or approval for the purchase method used. By not maintaining formal documentation, the College may not have obtained best value when making purchasing decisions. For example, of the 30 items, a number of purchases could have been obtained from various suppliers (e.g., maintenance contracts).

Of the 30 purchases lacking documentation, eight were for training service agreements.<sup>7</sup> College management noted that with proper approval of the training service agreement, formal documentation for selecting the specific training vendor is not required. However, this contradicts the College's procurement policy, which states the procurement method for training services will be clearly documented when the methods for procurement do not follow policy guidelines (e.g., obtaining quotes).

Management also noted they have yet to implement a tracking system for single and sole sourced purchases.

Not maintaining and following clear requirements for single or sole sourced purchases puts the College at risk of not facilitating fair and equitable treatment of suppliers and not obtaining the best value when making purchasing decisions.

### 3.3 Fleet Card Statements Not Always Reconciled Prior to Making Payment

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***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 agreement September 6, 2022)***

**Status**—Partially Implemented

Northlands College established an expectation to agree purchases on monthly fleet card statements to receipts prior to making payments, but this expectation is neither documented in the College's fleet usage policy nor consistently met.

While we found evidence of purchase reconciliations taking place, staff reconciled four monthly fleet card statements after the College paid the statement balance.

Additionally, we tested two monthly statements and found seven transactions missing receipts. We corroborated the appropriateness of four transactions by reviewing the fleet vehicle booking logs, which the College uses as the sign-out process for fleet vehicles and cards. However, for the remaining three transactions, we were unable to confirm the appropriateness of the purchases because the College assigned the fleet vehicle to a specific College employee and they did not use the fleet vehicle booking log.

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<sup>7</sup> Training service agreements are contracts for programs delivered by an outside agency for the College.

Not agreeing fleet card receipts to purchases on the monthly fleet card statements prior to payment increases the risk of the College paying for inappropriate purchases and not promptly detecting misuse of fleet cards.

### 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 agreement September 6, 2022)

**Status**—Partially Implemented

Northlands College established transaction limits in its updated policies for individual purchases made on its credit cards, but it did not properly enforce the established limits.

College management noted they have an informal process where credit card purchases exceeding established limits could be made when prior approval was obtained.

We reviewed the credit card system and found the College set up electronic transaction limits with its credit card supplier, but the College had not blocked purchase amounts above defined transaction limits. As a result, cardholders could make purchases in excess of their approved limits.

We tested nine credit card transactions and did not find any transactions exceeding the established limit without documented prior approval. However, we found two instances where payment was split to avoid going over the established transaction limit. These two instances did not have prior approval to exceed the established limit. College management was unaware of these split transactions until we identified them.

Setting up and enforcing transaction limits on individual purchases prevents staff from making purchases outside of their authorized transaction limits.

### 3.5 Established Standard Tendering Time Set and 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 agreement September 6, 2022)

**Status**—Implemented

Northlands College included a minimum amount of time (i.e., 30 days) in its procurement policy for tenders to remain open to suppliers.

For three tenders tested, we found the College used the standard minimum time established for keeping the tender open for suppliers.

Providing suppliers with sufficient time to prepare tender responses result in the College having better options to acquire goods or services it needs.



## 3.6 Purchase Templates Not Robust

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***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 agreement September 6, 2022)

**Status**—Partially Implemented

Northlands College’s standard services template continues to not contain clauses about performance requirements and evaluation, or how to implement amendments.

Management indicated it uses its contract template for services such as facilities maintenance and renovations. Clauses related to performance and amendments are important to ensure suppliers complete work as expected.

Additionally, we found the College’s purchase order template does not contain terms or conditions related to delivery, purchase authorization, or changes to originally agreed upon terms or conditions.

Not having robust templates increases legal or financial risks where purchase arrangements do not sufficiently address relevant purchase terms.

## 3.7 Contract Documentation Not Always Timely or Authorized Appropriately

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***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 agreement September 6, 2022)

**Status**—Partially Implemented

Northlands College established a policy for when to use contracts in procurement. However, the College did not always complete its contracts timely or obtain authorization in accordance with its delegation of authority.

The College’s accounting department was able to provide all but one contract requested during audit testing.

For the 20 contracts we tested, we found:

- 14 contracts were not signed in accordance with the delegation of authority
- Two contracts were not signed until after the term began; one of these contracts was not signed by the vendor until the contract term had expired

If contracts are not finalized prior to the term beginning, vendors may not fully understand their responsibilities to the College, potentially resulting in vendors not meeting the College's needs. Not authorizing contracts appropriately increase the risk of unknown financial liabilities or commitments, and misuse of College funds.

### 3.8 Validation of Supplier Information Not Yet Documented

***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 systems up-to-date.*** (2019 Report – Volume 1, p. 156, Recommendation 10; Public Accounts Committee agreement September 6, 2022)

**Status**—Partially Implemented

Northlands College has not documented a process for staff to either confirm the validity of suppliers prior to entering the suppliers' information into the College's financial system or to maintain the current supplier listing.

Per discussion with College management, staff may research the validity of new suppliers; however, this process is not documented or completed consistently. The College was unable to provide documentation to support supplier validation. For 27 new suppliers tested, we were able to confirm their validity.

College management was unable to provide evidence of verifying supplier information changes (e.g., banking information) in the financial system. Checking the authenticity of a supplier and a requested change is important to mitigate the loss of public funds (e.g., transferring funds to a fraudulent bank account).

The College also does not monitor the supplier listing in its financial system to remove suppliers that are no longer relevant, or to remove duplicate suppliers.

Not following due diligence procedures to confirm suppliers' validity prior to entering them into the financial system increase the risk of making payments to fictitious suppliers. Additionally, the lack of periodically updating the supplier listing in the financial system increases the risk of making duplicate or fraudulent payments.

### 3.9 Support Showing Segregation of Incompatible Purchasing Duties Not Documented

***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 agreement September 6, 2022)

**Status**—Partially Implemented



Northlands College's procurement policy has provisions to segregate the purchase and receipt of goods and services from payment approval, but staff do not always maintain support to show appropriate segregation.

We tested 38 purchases of goods and services and found:

- For 34 purchases, the College did not have documentation of who received the goods or services and could not demonstrate appropriately segregating receipt of goods or services from the payment approval
- 14 purchases where the College did not approve the purchase in accordance with its delegation of signing authority (i.e., wrong level of staff approved the purchase)

Additionally, in reviewing the user access listing for its financial systems, we found three staff with access to create a vendor/supplier and initiate payment.

We also found instances where one senior management staff directed credit card purchases be made by a subordinate on their credit card. This senior management staff member is responsible for reviewing and approving the subordinate staff's credit card purchases, resulting in inappropriate segregation as there is no independent review and approval for these credit card purchases.

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

### 3.10 Travel Expense and Credit Card Policies Not Followed

Staff are not complying with Northlands College's travel and expense claims, and corporate credit cards policies.

The College established a travel and expense claims policy where all travel and expenses incurred are eligible for reimbursement when they are:

- Preauthorized by a supervisor
- Aligned with rates of the Saskatchewan Public Service Commission
- Supported by receipts

During the audit, we tested 18 reimbursed senior management expense claims and found they did not fully comply with the College's policy. Non-compliance included:

- Claims approved without adequate support attached (e.g., meal expenses claimed for meetings with no indication of who attended the meeting or the business purpose, car rental claimed for multiple days with no invoice or receipt)
- Overnight travel without evidence of prior board approval, with one international trip claimed costing the College about \$19,000<sup>8</sup>

<sup>8</sup> The Board subsequently approved this May 2024 trip at its September 21, 2024 meeting.



- Use of personal vehicle for travel instead of one of the College's fleet vehicles without evidence of prior approval
- Per diems claimed for the same day multiple times or per diem claimed along with a receipt for a meal claimed on the same day
- One instance of the same receipt for a laptop purchase used as support for two separate business expense claims
- Three expense claims with no evidence of approval or when approval occurred (we were unable to ascertain whether approval occurred before payment)

Additionally, Northlands College's corporate credit card policy states that credit cards are not to be used for personal transactions. We found two instances where a corporate credit card was used for personal reasons. For these two items, the individual reimbursed the College.

Not following the College's established travel and expense claims policy, and credit card policy, increases the risk of fraudulent or inappropriate purchases as well as creates a culture of tolerated non-compliance.

**1. We recommend Northlands College comply with its established policies for travel and business expense claims and for corporate credit cards.**

