



Supply Chain Ontario and Procurement Practices 2016 Value-for-Money Audit

Why We Did This Audit

- The Government of Ontario spends an average of \$3.5 billion a year to procure goods and services (not including capital spending).
- We wanted to assess whether a sample of ministries are complying with government purchasing directives.
- It is important that procurement costs be monitored and analyzed to ensure that government receives value for money.

Why It Matters

- If ministries do not follow government procurement rules, they risk not getting value for money when buying goods and services.
- Procurement rules, when followed, result in a fair and transparent procurement process for suppliers and ministries.
- If government spending is not continuously reviewed and analyzed, savings opportunities may not always be identified.

What We Found

- Supply Chain Ontario manages preferred supplier arrangements effectively. The ministries we examined generally followed procurement requirements, and their procurements were mostly competitive, fair and cost-effective.
- Supply Chain Ontario lacks information to effectively identify new bulk-buying opportunities that could be arranged to potentially save money on future purchases.
- Based on our review of a sample of procurements, we found that ministries were not evaluating and documenting suppliers' performance as required. A supplier's past performance can provide insight into future performance issues.
- A new on-line procurement system is not yet widely used due to design concerns.
- Over the past two years, ministries made approximately 3,200 requests for IT staff. About 90% of the time, these requests were filled using external consultants because of insufficient permanent IT employees to meet demand. Treasury Board Secretariat, which oversees IT staffing, estimates that a consultant costs \$40,000 more annually than a permanent employee. As such, demand for IT services is being met through a more expensive option.
- Consultants were often hired without an in-person interview, and payments to them can be authorized by the same person who hired them – posing an internal control weakness. We examined an instance of a senior manager creating and hiring a phantom consultant. The senior manager then created and approved invoices totalling more than \$150,000 for services not rendered.

Conclusions

- Overall, we found that the ministries we reviewed are generally following government procurement requirements, and the procurements of goods and services that we reviewed were mostly competitive, fair and cost-effective.
- Supply Chain Ontario should further explore new bulk-buying opportunities for potential additional cost savings.
- For cost effectiveness, there is likely value for Treasury Board Secretariat to reduce its reliance on external IT consultants in favour of permanent IT employees. A target should be set for the number of permanent employees the Secretariat needs (the supply) to meet ministries' work demands, and it should work toward meeting this target.
- Treasury Board Secretariat should put in place controls to ensure that the risk of "phantom consultants" is reduced.