

Chapter 3

Section 3.11

School Boards— Acquisition of Goods and Services

Background

Ontario's publicly funded elementary and secondary schools are administered by 72 district school boards and 33 school authorities. According to the Ministry of Education, total funding for public education in Ontario for the 2005/06 fiscal year was about \$17.2 billion. While school boards spend the majority of their funding on salaries and benefits for staff, they also spend several hundred million dollars on purchases of services, supplies, and equipment.

Audit Objective and Scope

This was the first value-for-money (VFM) audit conducted of the school board sector under the expanded mandate, effective April 1, 2005, of the Office of the Auditor General of Ontario. The expansion allows us to conduct VFM audits of institutions in the broader public sector, such as school boards (this audit), children's aid societies (see Section 3.02), community colleges (see Section 3.03), and hospitals (see sections 3.05 and 3.06). We chose to examine purchasing practices as a means

to gain a broad exposure to, and understanding of, overall school board non-salary expenditures and operations.

The objective of our audit was to assess whether the purchasing policies and procedures in place at selected school boards were adequate to ensure that goods and services were acquired economically and in accordance with sound business practices.

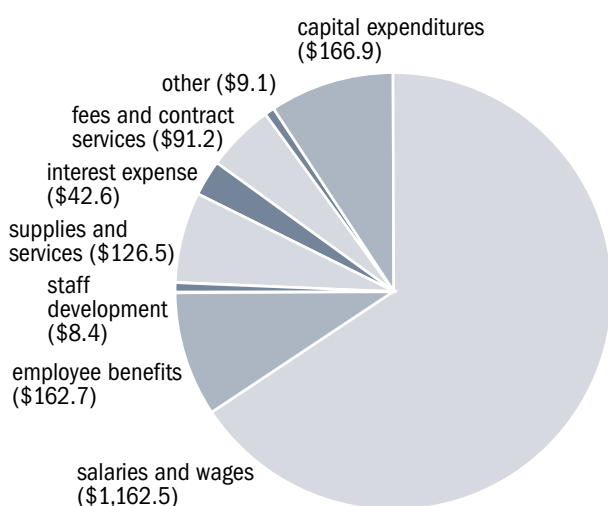
Our audit was conducted at four school boards: Durham District School Board, Rainbow District School Board (Sudbury Region), Thames Valley District School Board, and York Catholic District School Board. Total expenditures at the four boards in the 2004/05 fiscal year are broken down in Figure 1.

Our audit focused primarily on the acquisition of supplies and services. We also examined expenditures for equipment, contracted services, and minor capital projects. In the 2004/05 fiscal year, the amounts spent by the school boards that we audited in these areas totalled approximately \$147 million, as shown in Figure 2. We excluded pupil transportation and capital expenditures for the construction of new schools.

We also reviewed the purchasing policies of six other school boards to determine whether their policies were similar to those of the four boards that we audited.

Figure 1: Total Expenditures at Four Boards Audited, 2004/05 (\$ million)

Source of data: Individual School Boards



Our audit was substantially completed in May 2006 and was conducted in accordance with the professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants. Accordingly, we performed tests and other procedures that we considered necessary in the circumstances. The criteria used to conclude on our audit objective were based on the prudent systems, policies, and procedures that should be in place and operating effectively.

Summary

The purchasing policies at the four school boards audited, and at the six boards where we reviewed the policies, were adequate for promoting due regard for economy, and the audited boards were generally complying with their policies and procedures. As well, all four school boards were participating in purchasing consortia in an attempt to reduce the cost of goods and services, such as paper and cleaning supplies, Internet services, and elec-

Figure 2: School Board Expenditures on Supplies and Services, Fees, and Contract Services (Excluding Pupil Transportation), 2004/05

Source of data: Individual School Boards

Board	Amount (\$ million)
Thames Valley District School Board	56
Durham District School Board	45
York Catholic District School Board	32
Rainbow District School Board	14
Total	147

tricity. However, we noted areas where compliance could be improved. In addition, while corporate charge cards (purchasing cards) were generally being used appropriately, we noted areas where policies relating to travel expenses were not sufficiently clear. We were particularly concerned about purchasing-card use for meal and travel-related expenses at one of the boards.

At the four boards audited, areas where procedures could be improved included the following:

- School boards were using some suppliers for significant purchases for a number of years without periodically obtaining competitive bids. As a result, other potential suppliers did not have an opportunity to bid on the work, and school boards did not know whether the goods or services could have been obtained at a lower price.
- Rather than publicly advertising their needs, school boards often invited a selected group of suppliers to bid. As a result, only one or two bids were received for some significant contracts, unnecessarily limiting the options of the board involved.
- Payments continued to be made to suppliers in situations where the purchase order had expired and/or the amount on the purchase order had been exceeded.
- For ongoing minor capital projects, such as the replacement of broken windows, school

boards continually relied on certain contractors without periodically obtaining competitive bids. One school board addressed this recently by issuing a publicly advertised request for proposals to pre-qualified contractors for certain common services, such as glass repair and replacement, heating and ventilation repairs, and electrical, mechanical, and general contracting. Another board advised us that it would be soliciting competitive bids in 2007.

While policies governing purchasing-card use were generally adequate, we did have a concern about the lack of clear policies over the use of board funds for employee recognition and gift purchases. While the individual amounts were not significant, the overall totals at the four boards for such items amounted to thousands of dollars. We were also concerned about the use of purchasing cards, particularly at one school board, for meal- and travel-related expenditures. At this board, we noted the following:

- Certain senior staff, on a number of occasions, charged expensive meals without providing detailed receipts. For example, five staff attending a three-day conference in Toronto spent \$114 each for dinner. A dinner on the following night was shared by eight diners, six of whom were school-board staff. The bill, amounting to \$1,036 (or \$130 per person), was expensed by the school-board staff (splitting it six ways on their purchasing cards). In comparison, staff from another audited board only claimed a total of \$125 for all of their meals over three days while attending the same three-day conference.
- While attending conferences, usually in the United States, some senior staff extended their stay and incurred personal expenses on their purchasing cards that were not reimbursed to the board until we brought the expenditures to the board's attention. These

costs included car rental, extra nights of accommodation, and side trips not related to the conference. For example, one employee charged six nights' accommodation for a four-day conference. Subsequent to our audit, the employee reimbursed the board for the additional two nights of accommodation.

COMPETITIVE ACQUISITION

The purchasing policies of the four school boards that we audited and the six boards whose policies we reviewed all required purchases to be made competitively. At all boards, the competitive processes to be followed, either verbal or written quotations, public tenders, or requests for proposals, depended on the value of the purchase. While the thresholds for each type of competitive process varied among school boards, we found that they were reasonable when compared to the thresholds used by the provincial government for its purchases.

At the four boards we audited, we selected a sample of purchases made in the 2003/04 and 2004/05 fiscal years to assess whether the boards were complying with their policies. We found that most of the purchases we reviewed were made on a competitive basis in accordance with the boards' policies. However, there were some instances where the policies were not followed:

- Since 1999, one board has used the same contractor to perform electrical connections and disconnections of portables, without following a competitive acquisition process. Over the past three years, payments to this contractor totalled \$605,000, of which approximately \$300,000 was for other related services. Since 2003, the board has paid the contractor a flat rate of \$2,500 per portable for connections and \$300 for disconnections. Prior to 2003, payments were based on time and materials. Another school board that we audited had hired a contractor through a competitive

process and had been paying significantly less for similar work. To disconnect a portable, the first contractor charged \$300 while the competitively selected contractor charged an average of \$160; to connect a portable, the competitively selected contractor charged an average rate of approximately \$1,200 while the other contractor charged \$2,500. We recognize that there may be some local differences in the services provided. Nevertheless, the variance in cost demonstrates the need for a periodic competitive acquisition process. We understand that, subsequent to our audit, the first board commenced such a process.

- For a number of years, one board has been using the same company to catalogue new library books and materials. The most recent purchase order for this service was issued in June 2003 for \$80,000 (without a competitive process). However, the board paid \$310,000 for this service from September 2003 to January 2006. The board indicated that this was a proprietary system. The board also advised us that it would review annually the availability of alternative suppliers, and that a current purchase order would be issued each year.

FAIR AND OPEN ACCESS

The boards' purchasing policies state that potential suppliers should have fair and open access to board business, and tenders or requests for proposals (RFPs) should be open for a minimum of 14 days. In most cases, the boards met the intent of an open, fair, and transparent competitive process. However, we noted instances, for significant purchases exceeding \$100,000, where boards invited a small number of suppliers to bid instead of using a publicly advertised process. This unnecessarily limited their options. For example:

- At one board, we noted several examples where only one or two bids were received

for tenders and requests for proposals. In certain cases, potential suppliers were only given five to seven days to prepare a bid. For example, for a \$450,000 paving contract, the board invited only three potential suppliers, gave them only five days to respond, and only received two bids. In another case, the board issued an invitational RFP to four suppliers but only received one bid of \$312,000 for a closed-circuit surveillance system.

- Another board received fewer than three bids for several tenders or RFPs that we reviewed. For example, while the board issued a tender inviting five pre-qualified contractors to bid on a masonry restoration project, it received only one bid for approximately \$200,000. In another instance, only two of five pre-qualified contractors submitted bids for parking lot improvements worth \$212,000 at two schools.

PURCHASING DEPARTMENT INVOLVEMENT

All boards require that goods and services exceeding a specific threshold be acquired centrally through the board's purchasing department. Board staff are required to submit an approved requisition to the purchasing department, which would process the requisition, ensuring compliance with the board's purchasing policy. An approved purchase order would then be issued. The involvement of purchasing staff helps to ensure that a board takes advantage of any potential savings from a competitive process, promotes fairness in the selection process, and helps safeguard the board's interests.

We noted several examples at all four boards where departments or staff made relatively large purchases without involving the purchasing department:

- At one board, the paving of a play area at a school was initiated by the plant department

using a work order. The project was to be completed over the 2003 Christmas vacation period. Board staff did not obtain any bids or quotes from the supplier selected before the project started. We were advised that this was due to the perceived urgent nature of the project. Therefore, the board did not know the expected cost. The final cost was \$66,000. While the project was completed and invoiced in January 2004, a purchase order was only issued in March 2004, two months later.

- At one board, teaching staff ordered books worth \$157,000 based on a verbal quote. The staff did not have any documentation of the prices quoted by the supplier. No purchase order was issued for this acquisition. We were advised that this happened because the staff involved in the purchase did not understand the process to be followed.

PURCHASE ORDERS

Once the selection process is finalized, the purchasing department usually issues a purchase order to the supplier specifying the quantity, price, description of goods or services, and the length of the agreement. We noted instances where boards were making purchases after the purchase order had long expired and where purchase orders were issued to extend agreements without obtaining competitive bids. For example:

- In 1999, one board issued a \$20,000 purchase order, expiring in August 2000, for computer maintenance services. The supplier was hired without a competitive process. At the time of our audit in December 2005, the board was still paying invoices against the purchase order, even though it had expired five years earlier. A total of \$73,566 has been invoiced since the purchase order was originally issued.

- In 2001, another board issued an RFP for custodial supplies. The resulting contract was to expire in August 2004. In 2004, purchases under this contract exceeded \$300,000. The term of the agreement was extended to August 31, 2006 without obtaining competitive bids. However, purchases in 2006 included certain custodial supplies that were not part of the 2001 RFP. The board was unable to confirm whether it was receiving any discounts on the items not in the original purchase order. The board indicated that a competitive acquisition process will be implemented for the purchase of custodial supplies.

CONTINUOUS RELIANCE ON CONTRACTORS

At the four boards that we audited, work orders or service contracts were used for day-to-day or minor facility-related projects. For example, a window replacement company on contract with a board would be called to fix broken windows at a school. Individually, these work orders/service contracts were usually less than \$5,000, with the majority being less than \$1,000. The boards' purchasing policies usually do not require a competitive process for individual work orders.

At three boards, we noted several instances where the same contractors were used for a number of years without competitive acquisition. For example:

- One board employed a number of contractors under service contracts to complete work orders. The majority of service contracts were renewed without tendering but based on generic requests for quotes (RFQs). This board paid \$4.1 million under all service contracts in 2005 and \$4.6 million in 2004.

We reviewed the process followed for the awarding of service contracts exceeding \$100,000 each and found the board paid

\$2.8 million in 2004 and \$2.5 million in 2005 to contractors where no competitive process was followed. For example, a contractor that was awarded service contracts for various electrical and other services was paid a total of \$1.1 million between March 2004 and January 31, 2006, the length of the contracts. These contracts were based on generic RFQs rather than a competitive process. In one case, a contractor was awarded a contract for the installation and replacement of glass and was paid a total of \$748,800 between March 2004 and January 2006. Only one other contractor was invited to bid. For the subsequent period, February 2006 to January 2008, the incumbent was the only contractor invited to bid for the installation and replacement of glass.

- At another board, a number of contractors were frequently used for small projects and maintenance. Staff indicated that they generally do not get competitive quotes on purchases under \$1,000 and on some that are over \$1,000. We identified seven such contractors who were paid more than \$30,000 each over the past two fiscal years, with individual purchases generally less than \$1,000. In total, these contractors were paid approximately \$500,000 over the past two fiscal years. This board has used some contractors for more than 10 years. For example, a glass replacement company, which was paid \$170,000 over the past two fiscal years, has worked at the board for the past seven years—with no periodic competitive process in place.

We were pleased to note that, to address the risk of continuous reliance on contractors, one board recently issued a publicly advertised request for proposals to pre-qualified contractors for certain common services, such as glass repair and replacement, heating and ventilation repairs, and electrical, mechanical, and general contracting. These

suppliers were to be selected based on labour rates and materials markup, resources, past experience, and references. The board's goal was to establish a roster of contractors by specialty and rotate work among them.

RECOMMENDATION 1

To better ensure that goods and services are acquired with due regard to economy and that effective purchasing practices are followed consistently throughout the board, school boards should:

- ensure that the purchasing department is consulted on all major purchases;
- ensure that all goods and services are acquired competitively in accordance with board policies;
- use a publicly advertised competitive process for major purchases or where the possibility of a shortage of bidders may exist;
- limit the number of years that a contract can continue without requiring a new competitive acquisition process;
- not permit purchase order expiry dates and limits to be exceeded; and
- periodically obtain bids for ongoing routine services.

SUPPORTING DOCUMENTATION

During our audit, we requested documentation to verify that a competitive process was followed and that quotations were obtained prior to placing an order. In some cases, while the boards indicated that a competitive selection process had been followed, the documentation supporting such decisions was either not kept or not adequately documented to demonstrate that a competitive process had been followed:

- At one board, kindergarten educational supplies costing \$62,000 were purchased from

a supplier that had been identified three years earlier when a committee of teachers reviewed the products of numerous educational suppliers. No documentation about the selection process was retained. Prices from this supplier had not recently been compared to those of other potential suppliers. The board continued to purchase supplies from the supplier and paid it \$518,000 in 2004/05.

- A board acquired a high-speed printer/copier at a cost of \$435,000 without seeking competitive bids. Board staff indicated the printer/copier was a “demo” model offered to the board at a substantial discount by a supplier. However, there was no documentation to substantiate the discount or whether the price paid was competitive vis-à-vis other manufacturers’ products.
- A board purchased music curriculum resources totalling \$75,000 in 2004/05. We were advised that this was based on an evaluation by a teacher task force of similar products from three suppliers. However, no documentation was kept of the task force’s review and decisions, or of the prices of the competing suppliers.
- At another board, staff purchased special education software for \$345,000. A purchase order was requested after the invoice had been received. For this purchase, no documentation was prepared justifying the sole-source acquisition of this specialized product. We were advised that a written quotation had been obtained but could not be located.

RECOMMENDATION 2

To help ensure that due regard for economy can be demonstrated for all purchasing decisions, school boards should prepare and retain appropriate documentation.

CONTROLS OVER PAYMENTS

We found that all four boards generally had good controls over payments to suppliers. However, there were instances where improvements could be made or where payment errors were not detected.

- In August 2005, one board prepaid a competitively acquired supplier approximately \$1.2 million for metered photocopier costs for the period September 2005 to August 2006. Normal practice is to have the supplier obtain monthly usage readings across the board and invoice monthly based on the actual usage, rather than prepaying such a large amount.
- We identified payment errors at one board where the wrong price per unit was paid, resulting in an \$8,000 overpayment, and where a contractor charged GST of \$3,560 twice on the same purchase order. Board staff indicated that, subsequent to our audit, these amounts were recovered.
- At one board that used service contracts for repairs and maintenance, we reviewed the billings from several contractors. We found that, in many cases, the billings could not be reconciled with labour and material rates established in the service contracts. We also noted that several invoices lacked sufficient documentation to verify the rates. The board indicated that, subsequent to our audit, procedures for verifying labour and material rates have been reviewed with the appropriate staff.

RECOMMENDATION 3

To help protect against the risk of not receiving services paid for, school boards should prohibit unnecessary prepayment for services.

PURCHASING CONSORTIA

In *Ontario Budget 2004—Budget Papers*, the Government of Ontario identified purchasing practices in the broader public sector (BPS) as an area where improvements could be made that it anticipated could result in savings of “hundreds of millions of dollars [that] can be channelled back into key frontline public services.” In 2005, the Ministry of Finance established the BPS Supply Chain Secretariat to promote purchasing initiatives, such as purchasing consortia at hospitals, school boards, colleges, and universities. Acquiring goods and services as a group can achieve greater savings or discounts based on higher volumes.

However, we found that the four boards that we audited already participated in group purchasing, to varying degrees, through purchasing consortia with other school boards, hospitals, colleges, universities, other public agencies, and local municipalities. Goods and services that were purchased through consortia included paper, cleaning supplies, video supplies, Internet services, office stationery, and gasoline. The boards also partnered with neighbouring boards to jointly acquire pupil transportation, and classroom, physical education, and art supplies.

In 1998, the six Greater Toronto Area Catholic school boards formed the Catholic School Boards Services Association (CSBSA). This was done to provide opportunities for the member boards (and other interested boards) to reduce costs and improve efficiencies by working co-operatively. Over the past five years, the CSBSA has undertaken approximately 30 projects, including the joint purchasing of paper, employee benefits services, and software products. In 2005, the CSBSA worked with 43 school boards on the joint purchasing of electricity. The CSBSA estimates that, through this initiative, the participating boards had saved approximately \$12 million in electricity costs by June 2006.

Purchasing staff from the four boards indicated that the savings realized from purchasing consortia correlated to the size of the school board. For some items, larger boards would realize fewer savings than smaller boards because their own purchasing volumes would have generated a similar discount as group purchasing. Smaller boards would benefit from participating with larger boards, or with other larger public sector organizations.

Another issue faced by school boards participating in group buying is that goods and services usually need to be delivered directly to schools. Some boards have more than 100 schools—sending small orders to many sites increases costs and reduces potential savings. By comparison, hospitals, universities, and colleges only require shipping to relatively few locations.

PURCHASING-CARD MANAGEMENT

All four boards that we audited have issued purchasing cards, which are charge cards issued by a financial institution, to certain staff to help reduce the administrative cost of buying low-cost goods. The size of each board’s purchasing-card program varied, as shown in Figure 3.

The use of purchasing cards represents a significant change in purchasing methods. Traditionally, managers approved employee

Figure 3: Purchasing-card Expenditures, 2004/05

Source of data: Individual School Boards

Board	# of PCards	PCard Expenditures 2004/05 (\$ million)
Thames Valley District School Board	3,200	5.0
Durham District School Board	170	0.3
York Catholic District School Board	400	0.5
Rainbow District School Board	190	1.2

purchases in advance. Purchasing cards allow individuals to make purchases, often without requiring formal pre-approval. Therefore, it is essential to have appropriate review and approval of statements, where managers verify that purchases are being made properly and only for school board purposes. We found that, except where noted below, each board generally had adequate policies and procedures for purchasing-card usage.

Verification of Transactions

The risks of using charge cards include incorrect postings and duplicate charges. It is therefore crucial to verify transactions on monthly statements on a timely basis to ensure payment is not made for goods and services that were not received.

Each board requires that cardholders account for all purchases and provide supporting detailed receipts for each purchase made. Ideally, supporting documents should clearly identify the name of the purchaser, what was purchased, and the name of the supplier.

Generally, cardholders should verify the validity of each charge on their monthly statements and then forward the statement and supporting receipts on a timely basis for managerial approval. However, we noted instances where no supporting receipts were provided; the receipt lacked sufficient detail; or the receipt was photocopied or faxed. This increases the risk that improper use of purchasing cards will go undetected. Some of the examples we found were as follows:

- An employee at one board had 12 purchasing-card expenditures totalling \$6,000 with no documentation to support these purchases.
- At another board, two employees continually failed to submit supporting documentation for purchases. One employee used the same purchasing-card receipt to claim travel expenses on several occasions, resulting in duplicate reimbursements totalling \$300.

The board has now recovered the duplicate reimbursement. The second employee had eight purchasing-card expenditures totalling approximately \$1,000 with no supporting documentation.

- At one board, over a two-year period, a teacher spent approximately \$52,000 on the purchasing card. A number of the purchases were made during school breaks and/or outside the board area and should have been followed up. For instance, numerous charges totalling approximately \$4,000 were made during the 2005 summer break, while other expenditures included gasoline, newly released DVDs, financial software costing \$150, eyeglasses costing \$170, and Christmas lights costing \$300.
- At the same board, we noted that another employee who spent approximately \$11,000 on the purchasing card over a two-year period had numerous transactions that warranted follow-up. For example, this employee made purchases totalling approximately \$2,800 at three suppliers, buying mainly candies, chocolates, non-prescription drugs, and cleaning and household supplies. In addition, expenditures such as the following, while involving individual amounts that were not significant, were questionable: \$48 for flowers for the employee's own anniversary, which were sent to the employee's home address; and a \$254 purchase from a stained-glass shop during the summer break.

We understand that the boards involved were investigating all questionable expenditures we brought to their attention.

RECOMMENDATION 4

To help ensure that only valid school board expenditures are charged to purchasing cards, school boards should enforce the requirements that proper detailed receipts be submitted to

support all card purchases and that managers follow up on any unusual expenditures.

Employee Recognition and Gift Purchases

The four boards that we audited had no specific policies regarding the use of board funds to purchase gifts to recognize or reward employees. We found that the practices varied significantly among boards and even within the same board. It appeared that the decision whether to use public funds to pay for such items was generally left to the discretion of staff. We noted numerous instances where purchasing cards were used to pay for floral arrangements for staff or family members and for gift cards for staff appreciation. The following are some examples we noted:

- At one board, a cardholder spent \$1,200 on gifts (such as luggage costing \$400) for retiring and former board members. Another cardholder spent \$800 on Christmas gifts for staff. At another board, \$1,400 was spent on restaurant gift certificates, which were given to senior staff at Christmas.
- At three boards, numerous meals and gift cards (for bookstores, department stores and coffee houses) were purchased for staff as rewards. One cardholder spent \$1,000 on meals and gift certificates, while two cardholders spent \$550 on gift certificates for department stores and bookstores, for staff appreciation.
- From February 2004 to September 2005, approximately \$700 was spent on a single purchasing card for flowers for various occasions. At another board, during a one-year period, \$825 was spent on flowers on a single purchasing card. This board advised us that most of the flowers were for funerals.

Again, while the amounts individually were not significant, the overall totals at the four boards

amounted to thousands of dollars. While we acknowledge that in some instances reasonable purchases of this nature may be justified, we believe that, given the examples we noted, there is a need for more formal guidance in this area.

RECOMMENDATION 5

To help ensure that gifts to recognize employees are appropriate and justified, school boards should have clear policies regarding the use of board funds for employee recognition and gift purchases.

Meal Expenditures Using Purchasing Cards

At one board in particular, we noted a number of questionable transactions relating to meal expenses incurred by certain senior staff of the board.

We found that some senior staff at this board charged expensive meals and, although required by board policy, rarely submitted detailed receipts to support meal charges. The staff submitted only credit-card chits. When more than one person attended, the meal costs were usually divided and charged to each individual's purchasing card. We also noted that this was the only board audited that did not prohibit the claiming of alcohol as part of a meal claim. The following examples illustrate some of the concerns that we had regarding meals charged by certain senior staff from this board:

- From September 2003 to April 2005, certain senior staff charged meal expenses totalling approximately \$6,000 at a local restaurant. No detailed receipts were ever submitted for any of the meals. We were advised that these expenses were incurred before meetings of the board. The staff who attended generally split the bill. For example, five senior staff each charged \$109 to their respective purchasing cards for a dinner in January 2005. We were advised by the board that approximately

10 people attended this dinner, resulting in an average cost of \$55 per person. Other senior staff incurred more reasonable meal expenses before board meetings. For instance, the Director of Education and the Executive Superintendent and Treasurer of Business Services typically spent \$15 to \$20 each for dinner before these meetings.

- Several senior board employees attended a three-day conference in Toronto and, on consecutive nights, charged expensive dinners to their purchasing cards. On the first night, five staff charged \$114 each for dinner, at a total cost of \$571. On the following night, six staff (most were also at the first dinner) charged \$172 each for dinner, at a total cost of \$1,036, which also covered the cost of two guests. Detailed receipts were not provided for these meals. One employee who attended both dinners charged a total of \$400 in meal expenses over the three days. In comparison, we noted that two senior board staff from another board that we audited only claimed a total of \$125 each for meals over three days while attending the same conference.
- Two cardholders claimed \$155 each for a dinner costing \$310.
- Five cardholders split a dinner claim of \$375 for six people. One cardholder submitted a detailed receipt, which showed that the meal included \$85 for alcohol.

We also noted numerous meals charged by individual cardholders with no detailed meal receipts or information about the number of people attending. Examples included:

- a charge of \$300 for a principals' Christmas lunch;
- \$351 for an end-of-school vice-principals' function; and
- an individual's dinner claim of \$166 at an expensive restaurant in Toronto.

Subsequent to our audit, a number of staff repaid the board for amounts that were considered excessive.

While not to the same extent, we found similar issues at another board. For example:

- a dinner charge of \$360 for seven superintendents, including \$100 in alcoholic beverages (this board's policies prohibit claiming for alcoholic beverages). Subsequent to our audit, the board recovered the \$100 from the staff involved;
- a dinner charge of \$327 with no information on who attended;
- \$404 for a luncheon for an area team; and
- during a conference in Newfoundland, two dinner charges for eight people of \$365 and \$500, respectively, with no detailed receipts provided.

Travel and Conference Expenditures Using Purchasing Cards

At one school board, purchasing cards were being used for most travel expenditures. In contrast, another board did not allow purchasing cards to be used for travel expenses except by its Director of Education. At the third board, staff used their purchasing cards for travel expenditures, but not extensively. The fourth board issued its senior staff with separate credit cards to pay for travel and other board-related expenses.

At one board, on a number of occasions, senior staff attended conferences (usually three or four days in length) and stayed for a week or more. Management indicated that extended stays are permitted as long as the employee pays all of the additional costs. However, we found that, in some instances, employees charged additional travel costs to their purchasing cards, such as car rental, accommodation, and parking fees related to the extended stays that were not reimbursed to the board. For example:

- Three senior board staff attended a four-day conference held in San Antonio in February 2005. Two staff stayed in San Antonio for seven days, while the third employee first flew to San Francisco for personal reasons. This employee stayed in San Francisco for five nights and flew to San Antonio when the conference started. No expenses for meals or accommodation were charged to the board for the stay in San Francisco. However, this employee charged \$725 for the flights from home to San Francisco, from San Francisco to San Antonio, and from San Antonio to home, whereas the two staff who flew directly to San Antonio charged only \$400 each in total for their flights. We were advised that the employee had reimbursed the board for the difference in flight costs, but the cheque was not cashed by the board. Subsequent to our audit, a replacement cheque was provided to the board. In addition, one employee charged six nights' accommodation. Subsequent to our audit, the employee reimbursed \$550 to the board to cover accommodation costs not related to the conference.
- One senior board employee attended two conferences, each lasting several days. For each conference, the employee charged to the purchasing card a full week's car rental. Total costs for the car rentals were \$635. Subsequent to our audit, this employee repaid the board for the car rentals.
- A board employee attended a conference in New Orleans and charged \$70 to attend an ecotour attraction outside the city. While at another conference, in Orlando, the same employee charged \$185 at the Universal Orlando Resort. No explanation of these charges was provided. Subsequent to our audit, the employee repaid the board for these expenditures.

- Three senior board staff attended a four-day conference in Las Vegas but stayed there for a week. The staff charged \$660 for a one-week car rental, including gas costs for the 450 kilometres driven.
- Three senior board staff attended a three-day conference in San Francisco in February 2004. One employee arrived in San Francisco and then took a 185-kilometre side trip to stay in Monterey, at an additional cost of approximately \$300, which was charged to the purchasing card.

We also noted that three senior staff from the same board used their purchasing cards near the end of the fiscal year to purchase travel gift certificates totalling \$3,700. For example, one employee purchased a \$2,200 travel gift certificate in August 2005 indicating that the gift certificate would be used for a flight to San Diego for a conference in February 2006. The price of the ticket was approximately \$850, leaving an outstanding balance of \$1,350.

RECOMMENDATION 6

To help ensure that meal and travel expenses are appropriate, school boards should ensure that:

- amounts claimed are reasonable;
- any personal expenses are not paid by the board; and
- the purchase of travel gift certificates is prohibited.

Card Utilization

To limit the risk of improper use of purchasing cards, boards should ensure that the cards are issued only to employees who need them to fulfill their duties. Card limits should match the spending needs of each employee.

One board has approximately 3,200 cards. We noted that 15% had no activity for over one year. The board estimated that 25% of the 3,200 cards could be eliminated. At the other three boards, the issuance of an excessive number of purchasing cards was not a concern as they issued far fewer cards.

RECOMMENDATION 7

To help limit the risk of inappropriate expenditures being incurred on purchasing cards, school boards should:

- review the number of purchasing cards that have been issued to staff; and
- cancel unnecessary cards.

SUMMARY OF RESPONSES FROM SCHOOL BOARDS

Recommendation 1

The school boards agreed with the recommendation. One board stated that it would ensure each of the suggestions in the recommendation is reflected in its policies and implemented in its day-to-day operations.

Recommendation 2

The school boards agreed that they should prepare and retain appropriate documentation for all purchasing decisions. One board indicated that it has reinforced to staff the need for documentation on file to support the decision-making rationale and process.

Recommendation 3

The school boards agreed that they should prohibit unnecessary prepayments for services. The board involved in the prepayment stated that it was revising its Purchasing Policy and Procedure, and intended to incorporate a section on prepayment of services. This board also indicated that any future prepayments would have to demonstrate financial benefit, security, and risk assessment, and would require approval from the Trustees.

Recommendation 4

The school boards agreed that they should enforce the requirements that proper detailed receipts be submitted to support all card purchases and that managers follow up on any unusual expenditures. One board indicated that

it has implemented changes to its procedures for purchasing cards. Another stated that its Expense Reimbursement Policy was intended to require detailed receipts. This board planned to revise and strengthen its policy, and indicated that this would be reviewed with all staff authorized to approve board expenditures.

Recommendation 5

The school boards agreed that they should have clear policies regarding the use of board funds for employee recognition and gift purchases. One board stated that it supported the concept of recognizing and rewarding employees in specific circumstances. However, it also stated that it recognized the need for guidance in this area and that it would undertake to develop appropriate guidelines for consideration by Trustees. Another board noted that it did not have a clear policy on employee recognition, but that it would be developing one based on a review of best practices in place at other organizations.

Recommendation 6

The boards agreed with our recommendation. The board with the most examples of questionable transactions stated that it supports the recommendation, as this is the intent of its current policy and procedure. The board has made recoveries from staff where considered appropriate and also indicated that it would revise

and strengthen this policy and procedure, and then communicate it to all staff. In addition, this board has obtained external advice to ensure that it has acted properly to address our concerns. Another board has revised its processes to improve accountability and responsibility for those who hold a purchasing card. Another board stated that procedures regarding the eligibility of expenses, and the requirement for detailed receipts, have been reviewed with cardholders and with staff responsible for processing payment of expenses.

Recommendation 7

The one board where the number of purchasing cards was an issue noted that it had undertaken a review of the number of cards issued during the recent change of purchasing card vendors, and cancelled cards at that time. The board also indicated that it planned to regularly review purchasing-card use with a view to reducing the overall number of cards.

MINISTRY OF EDUCATION RESPONSE

The Ministry of Education fully appreciates the work performed by the Office of the Auditor General in conducting this audit of the acquisition of goods and services at the school boards and the co-operation extended to the Office by the four audited school boards—Durham, Rainbow, Thames Valley, and York Catholic.

The Ministry will continue to work and partner with the school boards to identify better practices to implement and strengthen

their control framework over procurement and expenditure management. The Ministry will be communicating with the boards to reinforce the findings in terms of good practices in procurement and purchasing-card use.

The Ministry will also continue to strengthen its relationships and oversight processes as required so that corrective actions, where necessary, are effected on a timely basis.