

## Chapter 4

### Section 4.03

# Community Colleges— Acquisition of Goods and Services

Follow-up on VFM Section 3.03, *2006 Annual Report*

## Background

Ontario's 24 community colleges offer students a comprehensive program of career-oriented, post-secondary education and training. Enrolment data from the Ministry of Training, Colleges and Universities (Ministry) indicate that there were 185,722 full- and part-time students enrolled in community colleges in 2007 (215,000 in 2005). Colleges spent a total of \$2.6 billion in 2007 (\$2.3 billion in 2005), of which \$797 million was spent in areas covered by our 2006 audit (\$751 million was spent in 2005). Our 2006 audit of purchasing policies and procedures at selected colleges focused on a broad range of expenditures but did not include employee compensation, student assistance, ancillary operations, or the costs of acquiring college facilities.

In our *2006 Annual Report*, we found that the purchasing policies at the four colleges we audited (Conestoga, Confederation, George Brown, and Mohawk) were adequate to ensure that goods and services were acquired economically and were generally being followed. In addition, all of the colleges we audited were participating in purchasing consortia in order to reduce costs. However, areas

where procedures could be strengthened included the following:

- Some major contracts with suppliers had not been re-tendered for a number of years. Therefore, other suppliers did not have an opportunity to bid on these public-sector contracts, and colleges might not have known whether the goods or services could be obtained at a better price.
- Where non-purchasing personnel managed the purchasing process, policies and procedures were not always followed, increasing the risk that the goods or services purchased did not represent the best value.
- Before making major purchases, colleges did not always clearly define their needs and objectives and therefore could not ensure that the purchases met their needs in the most cost-effective manner.
- For large purchases, the colleges normally established committees to evaluate competing bids. However, they had not developed procedures for committee members to follow, such as identifying the evaluation criteria for the non-monetary aspects of bids (to ensure they were appropriate and consistent). As a

result, colleges could not be assured that all committee members ranked bids in the same manner.

- Policies governing gifts, donations, meals, and hospitality were neither clear nor consistently enforced. While the individual amounts were not significant, we noted several examples of gifts purchased for staff, including, at one college, five gift cards worth \$500 each.

We made recommendations for improvement in these areas and received commitments from the colleges that they would take action to address our concerns.

## Current Status of Recommendations

We relied primarily on information collected and work done by the Ministry's Internal Audit Services, who visited the four colleges to assess their progress in addressing our recommendations. Based on their work, they concluded that significant progress had been made in addressing almost all of our recommendations. Three of the four colleges had revised their policies; the fourth college was in the process of doing so and, in the interim, had followed our recommendations with respect to the purchases it made during the 2007/08 fiscal year.

## COMPETITIVE ACQUISITION PRACTICES

### Recommendation 1

*To help ensure that the prices paid for major purchases are competitive, as well as to give all potential suppliers a fair opportunity to obtain college business, colleges should limit the number of years they use the same supplier without re-tendering.*

*To help ensure that purchases comply with college policies, colleges should require that purchasing departments oversee major purchases made by other departments at the college.*

### Current Status

At the time of their follow-up, the Ministry's Internal Audit Services found that all four colleges had implemented this recommendation. For purchases made during the 2007/08 fiscal year, the four colleges implemented limits on the number of years the same supplier could be used without re-tendering. This ranged from three years—with a possible two-year extension—to seven years. One of the colleges maintained a schedule of multi-year contracts to track due dates and ensure that contracts are re-tendered on a timely basis.

At all four colleges, the purchasing department oversaw major purchases made by other departments. The purchasing departments were involved throughout the process—from the purchase requisition to the completion of the purchase order—and they ensured compliance with their respective college's purchasing policies. All purchasing documentation was maintained by the purchasing departments.

## NEEDS IDENTIFICATION

### Recommendation 2

*To help ensure that objectives are achieved at the lowest cost, colleges should specifically identify and define their needs before making significant purchases.*

### Current Status

The Ministry's Internal Audit Services found that the four colleges had implemented this recommendation and revised their purchasing policies accordingly. One of the colleges had developed a needs-assessment form that departments were required to complete and have approved before starting the procurement process.

## EVALUATION OF BIDS

### Recommendation 3

*To help ensure that the best proposals are selected when major purchases are planned, colleges should:*

- *develop procedures for evaluation committees, including a requirement that they identify the criteria to be used to evaluate the non-monetary aspects of proposals; and*
- *require that the price summary be checked by someone other than the person who prepared it.*

### **Current Status**

The Ministry's Internal Audit Services noted that all four colleges required that the criteria to be used in evaluating the non-monetary aspects of proposals be developed before the start of the request-for-proposal (RFP) or tender process. The criteria used varied according to the nature of the product or service, but included such things as company profile, innovation, automation, and references. The criteria were weighted according to their relative importance. Internal Audit Services told us that they tested a sample of proposals at the four colleges and found that, in each case, the contract was awarded to the vendor whose proposal had the highest score.

All four colleges required that price summaries be prepared for major purchases and had revised their purchasing policies to include having summaries checked by someone other than the preparer. However, at three of the four colleges, there was no evidence that this check was actually being performed. Internal Audit Services made a further recommendation in this regard.

## **EMPLOYEE EXPENSES**

### **Recommendation 4**

*To help ensure that college funds are used appropriately and to the benefit of colleges and their students, colleges should implement clear policies for gifts, donations, and meal and hospitality expenses.*

### **Current Status**

The Ministry's Internal Audit Services found that, at the time of its visit, one college had recently implemented a new policy covering travel and other eligible business expenses, including gifts, donations, and hospitality expenses. The other three colleges were in various stages of revising and implementing their policies regarding these expenditures.