

Report To: Finance + Facilities Committee, Board of Health
Submitted by: Dr. Nicola Mercer, Medical Officer of Health & CEO
Subject: REVIEW OF COMPLIANCE WITH PROCUREMENT POLICY & PROCEDURE

RECOMMENDATION(S):

- (a) That the Finance + Facilities Committee makes recommendation to the Board of Health to receive this Report for information.

BACKGROUND:

In accordance with the Ontario Public Health Organizational Standards (OPHOS), the Broader Public Sector Procurement Guidelines and public sector organizational best practices, Wellington-Dufferin-Guelph Public Health (WDGPH) has a procurement policy and procedure in place to set out the internal rules to be followed when purchases are made on behalf of the organization.

The current policy and procedure came into effect in December 2015 and a policy decision was made to align with the Board Public Sector Procurement Directive as a best practice. Two recent trade agreements will necessitate adjustments to the currently existing policy and procedure in the near future: the Canadian Free Trade Agreement (CFTA) and the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). Staff are still in the process of understanding the impacts of these agreements on the procurement practices of WDGPH and will make the necessary adjustments as soon as possible. Further adjustments may be required once the Ministry's new Accountability Framework and Accountability Agreement, which will replace the OPHOS, are released.

Section 3.1 of the Ontario Public Health Organizational Standards outlines the Board of Health's responsibility to be informed on the procurement policies and practices of the organization, and this responsibility is further confirmed by the Board of Health policy: Stewardship of Management Operations CA.45.01.400, and Board of Health procedure: Stewardship of Management Operations – Procurement CA.45.02.410.

Section 6.8 of the Ontario Public Health Organizational Standards lays out several key requirements for procurement policies and procedures, as follows:

- The types of procurement processes that shall be used;
- The goals to be achieved by using each type of procurement process;
- The circumstances under which each type of procurement process shall be used;
- The circumstances under which a tendering process is not required;
- The circumstances under which in-house bids will be encouraged as part of the tendering process;
- How the integrity of each procurement process will be maintained;

- How the interests of the board, the public and persons participating in the procurement process will be protected; and,
- How and when the procurement processes will be reviewed to evaluate their effectiveness.

To this end, this Report is provided to outline an internal review of compliance with the organization's procurement policy and procedure which was undertaken by the Manager of Finance and the Procurement and Projects Analyst. This review is on transactions between October 1, 2016 and September 30, 2017.

This internal review serves two purposes:

1. Compliance with the WDGPH Procurement Policy Supply Chain Code of Ethics, which requires:
 - a. Transparency with regard to purchasing activities of the organization; and
 - b. Continuous improvement of the supply chain policies and procedures by identification of potential areas of the policy and procedure requiring improvement of additional training.
2. Provide the Board of Health with an evaluation of the effectiveness of the organization's procurement processes, in compliance with the Ontario Public Health Organizational Standards and the Board of Health Stewardship of Management Operations policy and procedures.

WDGPH's procurement procedure sets out the processes that must be undertaken for purchases based on the total procurement value, as follows:

Goods and Non-Consulting Services

- \$0 - \$500 - Procurement Card with No Purchase Requisition;
- \$501 - \$10,000 - Informal - One Written Quote;
- \$10,001 - \$50,000 - Informal - Three Written Quotes OR Formal Invitational Competitive Process OR Formal Open Competitive Process; and
- \$50,001 and more - Formal Open Competitive Process.

Consulting Services

- \$0 - \$50,000 - Informal – Three Written Quotes OR Formal Invitational Competitive Process OR Formal Competitive Process
- \$50,001 and more - Formal Open Competitive Process

The total procurement value must not be reduced (i.e. dividing a single procurement into multiple procurements) in order to circumvent the approval or procurement processes.

Wherever possible, a competitive process will be used for purchases over \$10,000. Any deviation from a competitive process, identified by the Procurement Processes in the above table, must be supported by a duly approved **Single Source/Sole Source Certificate**.²

PUBLIC HEALTH AND/OR FINANCIAL IMPLICATIONS:

Review Work

Approach

Two types of samples were selected:

- The top ten largest transactions recorded during the period; and
- A random sample of five other transactions during the period.

The rationale behind this approach was to test whether the largest transactions are in compliance with the policy and procedure, and to also check that the policy and procedure are being applied consistently, regardless of the size of the transaction.

Sample Selection

- 1) All Accounts Payable (AP) and Purchase Order (PO) transactions for the period October 1 2016 through September 30, 2017 were exported from Sage 300 ERP (accounting software) to Excel.
- 2) Transactions in the following categories were eliminated, as all are exempt from the purchasing policy and procedure:
 - a. Board of Health Honourariums
 - b. Board of Health Mileage
 - c. Legal Fees
 - d. Audit Fees
 - e. Travel – Mileage
 - f. Travel – Parking
- 3) Transactions less than \$500 were eliminated, as they do not require a specific process (purchase order, quotes, or competitive bidding process) to be undertaken under the Procurement P&P.
- 4) The population was then sorted by transaction size, from largest to smallest, and the ten largest transactions were selected for the sample.
- 5) Excel's random number generator was then used to assign a random number between 0 and 1 to each GL account code.
- 6) The random numbers generated were sorted from largest to smallest, which effectively sorted the remaining transactions in a random order.
- 7) The first five randomly sorted transactions were selected for the sample.
- 8) A total of 15 transactions was selected for review.

Review

The selected sample was sent to the Procurement & Projects Analyst to trace the transactions back through the procurement process, and to document the following information:

- Whether the Policy & Procedure is applicable to the transaction or exempt.
- The type of procurement process that was followed.
- If the Policy & Procedure is applicable to the transaction, and it exceeded the threshold for a competitive procurement process but did not undergo one, is there a Single Source/Sole Source Certificate on file?
- Whether or not the transaction is compliant with the WDGPH Procurement Policy & Procedure.

Results

Of the fifteen (15) transactions examined, three (3) did not fully comply with the Procurement Policy & Procedure.

- 1) An IT purchase for software modifications which was a sole source purchase above the threshold requiring a purchase order and a competitive bidding process: no purchase order was processed and the appropriately authorized invoice was paid directly through accounts payable. No single source/sole source certificate was on file.
- 2) An IT purchase for survey software above the threshold requiring a purchase order. A purchase order was not processed for this transaction, and the appropriately authorized invoice was paid directly through accounts payable.
- 3) An IT purchase for board meeting management software above the threshold requiring three quotes be obtained. This purchase was a single source purchase, but no single source/sole source certificate was on file.

Conclusion

The issues identified, while not trivial, relate to incomplete documentation on file rather than improper procurement processes being undertaken. In all cases, purchases were authorized by an employee with the appropriate level of signing authority.

PUBLIC HEALTH AND/OR FINANCIAL IMPLICATIONS:

n/a.

APPENDICES:

None.

REFERENCES:

1. Wellington-Dufferin-Guelph Public Health. (2015). Procurement Policy CA.51.01.112. Guelph, Ontario.
2. Wellington-Dufferin-Guelph Public Health. (2015). Procurement Procedure CA.51.02.112. Guelph, Ontario.

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