

AUDITOR GENERAL

Halifax Regional Municipality



PROCUREMENT

MAY 16, 2018

Overview of Audit

Management of procurement needs significant improvement

Certain users can record multiple parts of transaction

- Should be separated to reduce fraud risk

Access changes not always made as employees move or leave HRM

Need better control and monitoring over changes to vendor information

Overview of Audit

Procurement policy good framework not consistently followed

Lack support to show procurements were fair and evaluations comprehensive

Conflict of interest forms missing

Scores missing or comments not supporting scores

No quality assurance checks to ensure files are complete

Approximately 20% files tested were missing approvals

- Contracts extended without proper approval
- Including some that should have been sent to CAO or Regional Council

Detailed Results

- Too many users have SAP access they do not need
- Important to separate parts of transaction
 - Reduces risk of fraud
- Identified similar issues and recommendations for improvement in our 2012-13 review of SAP authorizations



Detailed Results

- Monitoring changes to vendor information is weak
 - Changes to vendor information made by staff who should not have access to do so
 - Accounting responsible for monitoring changes to vendor banking information
 - Recent (Spring 2017) third-party fraud
 - New processes established
 - But not consistently completed

Detailed Results

- Examples of ongoing issues:
 - Weaknesses, monitoring not consistently performed
 - Examined 17 vendor banking information changes after new processes started
 - Four not verified
 - 11 (65%) vendor banking information updated before confirmed
 - SAP monitoring reports gaps
 - Senior manager review of banking changes often several months after the changes

Detailed Findings

- Procurement staff overrode contract price to match invoice (7 instances)
- 18 of 32 RFP files missing signed conflict of interest forms for all evaluators
- Our 2012 review of RFP process recommended a checklist to help ensure complete files
- No conflict of interest forms for quotations, tenders, and sole source purchases
- Nova Scotia Public Procurement Act requires Procurement request removal of individual if personal conflict of interest is perceived
- Procurement staff do not sign conflict of interest forms, should



Detailed Findings

- Ten of the 32 files examined – Procurement could not demonstrate went to the highest-scoring bid
 - Individual evaluator scores, final scores, or all scores missing
 - Comments not consistent with scores or no evaluator comments
- Our 2012 review of request for proposal process included recommendation to document all scoring decision support
- No standard process for alternative procurement support
 - Some have files, others do not
 - No support means no evidence to ensure met alternative requirements

Detailed Findings

- Procurement not aware of some until after purchase was made
- Procurement allowed purchases to continue even though they knew they did not comply with policy
- Issues suggest Procurement staff do not have good understanding of procurement policy and approval limits
- Reports of noncompliant purchases lack detail

Wrap-up

- 28 Recommendations
 - Reflects number and significance of issues identified
 - Not complex recommendations
 - Management agrees with all
 - Responses include implementation details for some
 - Need to be consistent in applying practices and policy
 - Expect implementation within 18 months



