

Legislative  
Assembly  
of Ontario



Assemblée  
législative  
de l'Ontario

---

# STANDING COMMITTEE ON PUBLIC ACCOUNTS

## COMMUNITY COLLEGES – ACQUISITION OF GOODS AND SERVICES

(Section 3.03, 2006 Annual Report of the Auditor General of Ontario)

1<sup>st</sup> Session, 39<sup>th</sup> Parliament  
57 Elizabeth II

**Library and Archives Canada Cataloguing in Publication Data**

Ontario. Legislative Assembly. Standing Committee on Public Accounts

Community colleges : acquisition of goods and services (Section 3.03, 2006 Annual report of the Auditor General of Ontario) [electronic resource]

Issued also in French under title : Collèges communautaires : acquisition de biens et services (Rapport annuel 2006 du vérificateur général de l'Ontario, section 3.03)

Electronic monograph in PDF format.

Mode of access: World Wide Web.

Issued also in printed form.

ISBN 978-1-4249-4576-4

1. Community colleges—Ontario. 2. Government purchasing—Ontario. I. Title. II. Title:  
Collèges communautaires : acquisition de biens et services (Rapport annuel 2006 du vérificateur général de l'Ontario, section 3.03)

LB2328.15 C33 O56 2007

353.8'825309713

C2007-964013-3

Legislative  
Assembly  
of Ontario



Assemblée  
législative  
de l'Ontario

The Honourable Steve Peters, MPP  
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Public Accounts has the honour to present its Report and commends it to the House.

Norman Sterling, MPP  
Chair

Queen's Park  
February 2008

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**MEMBERSHIP LIST**

1<sup>st</sup> Session, 39<sup>th</sup> Parliament

**NORMAN STERLING**

Chair

**JERRY J. OUELLETTE**

Vice-Chair

**LAURA ALBANESE**

**ERNIE HARDEMAN**

**ANDREA HORWATH**

**PHIL MCNEELY**

**LIZ SANDALS**

**MARIA VAN BOMMEL**

**DAVID ZIMMER**

---

**Katch Koch**  
Clerk of the Committee

**Susan Viets**  
Research Officer

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**MEMBERSHIP LIST**

2<sup>nd</sup> Session, 38<sup>th</sup> Parliament  
(at the end of the session)

**NORMAN STERLING**  
Chair

**ERNIE HARDEMAN**  
Vice-Chair

JEAN-MARC LALONDE

RICHARD PATTEN

LISA MACLEOD

LIZ SANDALS

SHELLEY MARTEL

MONIQUE M. SMITH

JOHN MILLOY

---

Katch Koch  
Clerk of the Committee

Ray McLellan  
Research Officer

---

## CONTENTS

|   |    |
|---|----|
| PREAMBLE  | 1  |
| Acknowledgements                                  | 1  |
| 1. BACKGROUND                                     | 1  |
| 1.1. Audit Objective                              | 1  |
| 1.2. Overview of Audit Findings                   | 2  |
| 1.3. Response to Committee Recommendations        | 2  |
| List of Committee Recommendations                 | 2  |
| OBSERVATIONS AND CONCLUSIONS                      | 4  |
| 2. PURCHASING CONSORTIA                           | 4  |
| 2.1. BPS Supply Chain Secretariat                 | 4  |
| Memorandum to Colleges (2006)                     | 4  |
| BPS Supply Chain Secretariat                      | 5  |
| Ministry Review of Policies and Procedures (2007) | 5  |
| 3. COMPETITIVE ACQUISITION PRACTICES              | 7  |
| Best Practices for Purchasing                     | 8  |
| APPENDIX  | 10 |
| NOTES   | 11 |

## **PREAMBLE**

The Standing Committee on Public Accounts held hearings on the Auditor General's report on Community Colleges – Acquisition of Goods and Services on February 14, 2007. The Committee endorsed the Auditor General's findings and recommendations on this topic as reported in the *2006 Annual Report* (s. 3.03).

This Committee report provides an overview of relevant sections from the Auditor General's report and the hearings, together with the Ministry's 2007 status report. The Committee has prepared recommendations based on its observations and conclusions.

### **Acknowledgements**

The Standing Committee on Public Accounts would like to take this opportunity to thank the witnesses for their participation in these hearings; namely, the Deputy Minister and officials of the Ministry of Training, Colleges and Universities (the Ministry) and the presidents of the colleges audited (George Brown College, Confederation College, Mohawk College of Applied Arts and Technology, and Conestoga College Institute of Technology and Advanced Learning). The Committee appreciated receiving the Ministry's 2007 status report (Appendix).

The Committee also acknowledges the assistance provided during the hearings and the deliberations by the Office of the Auditor General, the Clerk of the Committee, and the Research Officer from the Ontario Legislative Library's Research and Information Services Branch.

## **1. BACKGROUND**

Ontario's twenty-four community colleges offer career-oriented, post-secondary education and training. These institutions employ 17,000 academic staff and 16,800 other employees, with an enrolment of 215,000 full- and part-time students. Their total expenditures increased from \$1.8 billion in 2001 to \$2.3 billion in the 2004/05 fiscal year. Funding from Ministry grants and student tuition increased in line with expenditures during 2001–05.

### **1.1. Audit Objective**

The Auditor General's (the Auditor) objective was to assess whether the purchasing policies and procedures in place at George Brown College, Confederation College, Mohawk College of Applied Arts and Technology, and Conestoga College Institute of Technology and Advanced Learning were adequate to ensure that goods and services were acquired economically.

Expenditures in 2004/05 totalled \$751 million in the areas audited. The audit did not include employee compensation and benefits, student assistance, purchases made by ancillary operations (e.g., student residences), or the costs associated

with acquiring college facilities. Approximately 87% of the expenditures outside of the audit related to staff compensation and benefits.

## **1.2. Overview of Audit Findings**

The colleges participated in purchasing consortia to reduce purchasing costs and the Auditor General concluded that these institutions were generally in compliance with purchasing policies. The audit report described the level of compliance as being adequate to ensure that goods and services were acquired economically.

The Auditor identified several areas where procedures required strengthening, as follows:

- Absence of Re-tendering and Competition - some of the major contracts with suppliers had not been re-tendered for a number of years; therefore, there was no assurance that prices could not be improved, and competition was not being promoted.
- Purchasing Policies and Procedures – where non-purchasing personnel managed the acquisition process, purchasing policies and procedures were not always followed, thereby increasing the risk of not receiving the best value.
- Managing Major Purchases – the absence in some cases of a clear definition of needs and objectives for major purchases and an indication that needs were met in the most cost-effective manner.
- Absence of Evaluation Procedures (Large Purchases) - colleges use committees to evaluate competing bids; however, procedures were not developed to provide a consistent framework (e.g., evaluation criteria) for the non-monetary aspects of bids.
- Non-Compliance with Policies – policies for purchasing gifts, donations, meals, and hospitality were neither clear nor consistently enforced.

## **1.3. Response to Committee Recommendations**

The Committee requests that the Ministry of Training, Colleges and Universities, and the presidents of the four colleges audited report to the Standing Committee on Public Accounts on this report within 120 days of the date of the tabling of this report. In the event that the Committee concludes that an alternative timeframe is warranted, it will be indicated in the recommendation.

### *List of Committee Recommendations*

**1. The Ministry of Training, Colleges and Universities report to the Standing Committee on Public Accounts on the status of the review conducted by the Ministry's Colleges Branch and the Ministry's Education Audit Service Team of the college submissions on expenditure and procurement policies. The report to the Committee should address the following:**



- a summary of the findings and plans for remedial action to ensure that goods and services are acquired economically across the college system; and
- related findings such as the nature of cost reduction measures, future role of purchasing consortia, and proposed policy revisions, with an accompanying implementation timetable for amendments.

**2. The Ministry of Training, Colleges and Universities report to the Standing Committee on Public Accounts on the identification of best practices for procurement in the college sector. In conjunction with the demonstrated merits of province-wide purchasing consortia, colleges should continue to consider local purchasing subject to competitive pricing, given the economic benefits derived from acquiring goods and services at the community level.**

**The report should provide an update on the implementation of a strengthened control framework, and Ministry oversight of college procurement and expenditure management.**

## OBSERVATIONS AND CONCLUSIONS<sup>1</sup>

The Ministry holds colleges accountable through the *Ontario Colleges of Applied Arts and Technology Act, 2002*.<sup>2</sup> Colleges are responsible for achieving goals consistent with government priorities and the principles of prudent financial management.<sup>3</sup> The operation of each college is the responsibility of the governors, who are accountable to students, employers and their communities.<sup>4</sup>

### 2. PURCHASING CONSORTIA

#### 2.1. BPS Supply Chain Secretariat

Broader public sector purchasing became a provincial priority in 2004 with the objectives of improving the process and realizing savings. The Ministry of Finance's BPS (Broader Public Sector) Supply Chain Secretariat was established to promote purchasing initiatives, for example, purchasing consortia at colleges, with the following objectives: achieve savings through high-volume, group tendering for goods and services; and reduce administrative costs with one organization representing the membership.

#### Community Colleges' Purchasing Consortia

The majority of Ontario's community colleges were members of purchasing consortia with other public-sector organizations, prior to this purchasing initiative. Examples of such undertakings include a consortium to purchase insurance, library books and related materials through a bibliocentre. Savings through the bibliocentre, for example, were in the order of \$10 million per year. In addition, the audited colleges participated in consortia for various goods and services (e.g., electricity, printing and photocopying). Information on group-purchasing is shared with other colleges to assist in future negotiations with suppliers.

#### *Memorandum to Colleges (2006)*

The Colleges Branch of the Ministry informed the colleges of the Auditor's recommendations in December 2006 (Appendix). The colleges were directed to review expenditure and procurement policies and to report to the Ministry, providing one of the following:

- written assurance that their college has adequate policies in place, forwarding a copy to the Ministry; or
- in the absence of policies - develop such policies and provide an estimated time for final approval by the Board.<sup>5</sup>

All twenty-four colleges responded to the Ministry by January 31, 2007, concurring with the Auditor's findings and indicating that they have processes to ensure that goods and services are acquired economically. The Colleges Branch and the Education Audit Service Team of the Ministry committed to review the finalized responses.<sup>6</sup>

## Committee Hearings

### *BPS Supply Chain Secretariat*

The colleges participate in the BPS Supply Chain Secretariat, and it is the Ministry's objective to have all colleges fully involved.<sup>7</sup> Although it is not mandatory, the advantages are evident.

The Ministry is working with the Ministry of Finance on purchasing consortia.<sup>8</sup> The Ministry of Finance has provided resources, which have assisted in increasing and improving college participation as well as other public sector organizations in such undertakings.<sup>9</sup> Assistance is also available in areas such as financial administration and training across the sector or in cases where best practices have been identified.<sup>10</sup>

### College Policies and Practices

The Committee enquired about oversight on policies and procedures, specifically reinforcing compliance by managers to ensure that goods and services are acquired economically.<sup>11</sup> Procurement policies may be incorporated in college guidelines with the purchasing department providing oversight.<sup>12</sup> A committee process may be followed for larger tenders, using established valuation criteria. The purchasing department may have responsibility for overseeing all contracts and purchases, providing a final check before approval.<sup>13</sup>

The Ontario Education Collaborative Marketplace supply chain management initiative is a consortium that assists colleges in maximizing purchasing efficiencies. The intent is to enhance college involvement in the e-marketplace through connecting buyers and suppliers. It was acknowledged that at times it may be justified not to use the consortium model, securing better prices on a one to one basis with a supplier, or where a comparable price can be obtained from a local community supplier.<sup>14</sup> The Committee concluded that colleges should continue to take into account the benefits to the local economy and the wider community accruing from the acquisition of goods and services locally.

### *Ministry Review of Policies and Procedures (2007)*

At the time of the hearings the Ministry and the colleges were reviewing the policies and procedures to ensure compliance with the Auditor's recommendations, through the following:

- the implementation of new procedures for requests for proposals (RFP) and setting clearer standards for evaluating RFPs;
- managing formal tenders and RFPs by purchasing departments;
- documenting contract renewal schedules;
- reviewing travel, hospitality and out-of-pocket expense policies; and
- reviewing the policies on gifts, donations, meals and hospitality.<sup>15</sup>

Furthermore, steps have been taken in related areas to improve administrative efficiencies across the college system, enhancing procurement effectiveness and efficiency and resulting in savings.<sup>16</sup>

### **Committee Conclusion**

The Auditor concluded that compliance levels with purchasing policies were adequate to ensure that goods and services were acquired economically, taking into account savings from purchasing consortia. As noted in the Ministry's 2007 status report, the Ministry and the colleges have taken remedial action to address the Auditor's observations and recommendations on a timely basis.

The Committee therefore concluded that:

**On the basis of the hearings and the appended 2007 status report, the Ministry of Training, Colleges and Universities and the provincial colleges have responded positively to the Auditor General's 2006 recommendations. The Committee noted the following specific initiatives:**

- **purchasing through consortia by the audited colleges has resulted in benefits;**
- **the Ministry has applied the Auditor's conclusions and recommendations (based on the four institutions audited) to the college system with the objective of improving procurement practices province-wide;**
- **action was taken on a timely basis by each college to provide assurance to the Ministry that adequate expenditure and procurement policies were either in place or that there was a commitment to introduce such policies, and that a copy of such documents would be provided to the Ministry; and**
- **the colleges were innovative in their management of procurement, for example, obtaining goods from community sources (e.g., donations of furniture from the private sector) and giving consideration to directly benefiting the local economy and the wider community through their expenditure and procurement policies.**

### **Committee Recommendation**

#### **Review of Colleges' Responses (2007)**

The colleges were directed to address their expenditure and procurement policies and to report to the Ministry. The twenty-four provincial colleges responded to the Ministry in January 2007, indicating that they concurred with the audit findings, noting that they have processes to ensure that goods and services are acquired economically.<sup>17</sup>

The submissions were received as requested and the Ministry's Colleges Branch and the Education Audit Service Team of the Ministry were in the process of

conducting the review. The Ministry focus in the review of policies and procedures is to ensure uniformity within basic principles, and to identify cost-cutting and related issues, within an all inclusive sector-wide approach.<sup>18</sup>

The Committee therefore recommends that:

**1. The Ministry of Training, Colleges and Universities report to the Standing Committee on Public Accounts on the status of the review conducted by the Ministry's Colleges Branch and the Ministry's Education Audit Service Team of the college submissions on expenditure and procurement policies. The report to the Committee should address the following:**

- **a summary of the findings and plans for remedial action to ensure that goods and services are acquired economically across the college system; and**
- **related findings such as the nature of cost reduction measures, future role of purchasing consortia, and proposed policy revisions, with an accompanying implementation timetable for amendments.**

**The Committee requests that a written response to this recommendation be provided to the Committee Clerk within 120 days of the date of tabling this report in the Legislature.**

### **3. COMPETITIVE ACQUISITION PRACTICES**

The Auditor concluded that the competitive acquisition policies of the audited colleges were generally followed for the purchases examined, with only two significant exceptions. Specifically, none of the audited colleges had policies regarding the maximum number of years that the college may deal with a vendor without re-tendering the contract (e.g., furniture and security services). As a result, there is no assurance as to the reasonableness of the prices. Certain purchases were managed by non-purchasing personnel (given the need for technical or other expertise), which resulted in cases of material non-compliance with college policies (e.g., information-technology equipment and a student laptop program). Areas of concern included the exclusion of eligible vendors from bidding on a three-year agreement; a vendor with the higher bid was awarded a contract; and the absence of competitive practices on tendering.

The Auditor recommended that 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.

Furthermore, the Auditor concluded that 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.

## Response by Colleges (2006)

The colleges indicated that policies would be developed and implemented to limit the number of years that colleges use the same supplier without re-tendering. The colleges also agreed to require that purchasing departments oversee major purchases made by other departments.

## Committee Hearings

### *Best Practices for Purchasing*

The identification and application of best practices is central to college procurement practices. The Committee concluded that it is appropriate that the topic is addressed in this section on acquisition practices. As noted, assistance is available in various areas from the Ministry, such as financial administration and training, relying on cases in which best practices have been identified.<sup>19</sup>

### Performance Indicators

A new interim three-year funding framework has been introduced. Under the multi-year accountability agreement the government identifies funding for each year. Performance measures are used for access and quality issues, with agreement on accountability mechanisms.<sup>20</sup>

According to the Ministry, the governance-related recommendations from 1996 have resulted in a strengthened accountability framework and the emergence of the key performance indicators.<sup>21</sup> The multi-year accountability agreements include, for example, key performance indicators with annual reporting by the colleges in such areas as satisfaction rates of students in the various programs, graduation rates, graduate employment rates, and the job satisfaction rates of former students and employers.<sup>22</sup>

## Committee Recommendation

### Best Practices – Procurement

The Ministry has committed to “continue to work with the colleges to identify better practices to implement and strengthen their control framework over procurement and expenditure management.”<sup>23</sup> A “clearing house” for the sharing of best practices with comparatives is envisioned, providing an improved basis for making procurement decisions.<sup>24</sup>

The Committee therefore recommends that:

- 2. The Ministry of Training, Colleges and Universities report to the Standing Committee on Public Accounts on the identification of best practices for procurement in the college sector. In conjunction with the demonstrated merits of province-wide purchasing consortia, colleges should continue to consider local purchasing subject to competitive pricing, given the economic benefits derived from acquiring goods and services at the community level.**

**The report should provide an update on the implementation of a strengthened control framework, and Ministry oversight of college procurement and expenditure management.**

**The Committee requests that a written response to this recommendation be provided to the Committee Clerk within 120 days of the date of tabling this report in the Legislature.**

## APPENDIX

**Summary Status Table in Response to the 2006 Annual Report of the Auditor  
General of Ontario  
(Section 3.03 Community colleges – Acquisition of Goods and Services)  
Ministry of Training, Colleges and Universities (MTCU)**

In 2006, the Office of the Auditor General (OAG) conducted the first value-for-money audit in the college sector and found "that the purchasing policies at the colleges we audited were adequate to ensure that goods and services were acquired economically and were generally being followed."

| Auditor's Recommendation  | Completed Undertaking   | Outstanding Undertaking (including timelines)  |
|---|---|--|
| Colleges limit the number of years they use a supplier without re-tendering.  | The Director of the MTCU Colleges Branch informed the colleges of the OAG's recommendations via memorandum on December 6, 2006.   | As of January 31, 2007, 24 of 24 colleges have responded to MTCU's follow-up memo of Dec. 6/06.  |
| Colleges to identify their needs before making significant purchases.   | The memorandum directed colleges to review expenditure and procurement policies and report back to the Ministry.  | Responses to MTCU's follow-up memo concur with the Auditor's findings: colleges have processes in place to ensure that goods and services are acquired economically. |
| Colleges to develop procedures for evaluation committees, and require that the price summary be checked by a third party. | Colleges were asked to provide the Ministry with either; <ul style="list-style-type: none"> <li>- written assurance that their college has adequate policies in place, and provide a copy, or</li> <li>- develop such policies and provide a time estimate re Board approval</li> </ul> | Ministry staff (Colleges Branch and Education Audit Service Team) will review finalized responses.   |
| Colleges to implement clear policies for gifts, donations, and meal and hospitality expenses.                             |   |  |

O:\COLLBRCH2 - GACSMaudit\PAC Feb 14-07>Status Report.doc

Source: Colleges Branch, Ministry of Training, Colleges and Universities, 7 February 2007.



---

## NOTES

<sup>1</sup> The introduction to each section in this report is based directly on the Auditor General's findings, as reported in the *2006 Annual Report*. The text consists of paraphrasing and in some instances partial quotes from the Auditor General's report.

<sup>2</sup> Legislative Assembly of Ontario, *Official Report of Debates*, Hansard, Standing Committee on Public Accounts, 38<sup>th</sup> Parliament, 2<sup>nd</sup> Session, 14 February 2007, P-262.

<sup>3</sup> *Ibid.*, P-262.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*, P-262 and P-263.

<sup>6</sup> Ontario, Ministry of Training, Colleges and Universities, "Summary Status Table in Response to the *2006 Annual Report of the Auditor General of Ontario*" (Toronto: The Ministry, 14 February 2007).

<sup>7</sup> Legislative Assembly of Ontario, *Official Report of Debates*, Hansard, Standing Committee on Public Accounts, 38<sup>th</sup> Parliament, 2<sup>nd</sup> Session, 14 February 2007, P-266.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*, P-263 and P-265.

<sup>12</sup> *Ibid.*, P-265.

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*, P-269.

<sup>15</sup> *Ibid.*, P-263.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*, P-266.

<sup>18</sup> *Ibid.*, P-264 and P-266.

<sup>19</sup> *Ibid.*, P-266.

<sup>20</sup> *Ibid.*, P-270.

<sup>21</sup> *Ibid.*, P-261.

<sup>22</sup> *Ibid.*, P-262.

<sup>23</sup> Ontario, Office of the Auditor General, *2006 Annual Report* (Toronto: The Office, December 2006), p. 89.

<sup>24</sup> Legislative Assembly of Ontario, *Official Report of Debates*, Hansard, Standing Committee on Public Accounts, 38<sup>th</sup> Parliament, 2<sup>nd</sup> Session, 14 February 2007, P-269.