

Legislative  
Assembly  
of Ontario



Assemblée  
législative  
de l'Ontario

---

# STANDING COMMITTEE ON PUBLIC ACCOUNTS

## SCHOOL BOARDS – ACQUISITION OF GOODS AND SERVICES

(Section 3.11, 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

School boards : acquisition of goods and services (Section 3.11, 2006 Annual report of the Auditor General of Ontario) [electronic resource]

Issued also in French under title : Conseils scolaires : acquisition de biens et services (Rapport annuel 2006 du vérificateur général de l'Ontario, section 3.11)

Electronic monograph in PDF format.

Mode of access: World Wide Web.

Issued also in printed form.

ISBN 978-1-4249-6033-0

1. School boards—Ontario—Auditing. 2. School purchasing—Ontario. 3. School management and organization—Ontario. I. Title. II. Title: Conseils scolaires : acquisition de biens et services (Rapport annuel 2006 du vérificateur général de l'Ontario, section 3.11)

LB2829.3 C3 O56 2008

353.8'243909713

C2008-964006-3

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.

A handwritten signature in cursive script, appearing to read "Norm. Sterling".

Norman Sterling, MPP  
Chair

Queen's Park  
February 2008

## **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

Elaine Campbell  
Research Officer

# **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

LIZ SANDALS

ERNIE HARDEMAN

MARIA VAN BOMMEL

ANDREA HORWATH

DAVID ZIMMER

PHIL MCNEELY

---

Katch Koch  
Clerk of the Committee

Susan Viets  
Research Officer

## CONTENTS

PREAMBLE	1
Acknowledgements	1
1. AUDIT OBJECTIVES AND MAIN FINDINGS	1
2. COMMITTEE REQUEST FOR MINISTRY RESPONSE	2
2.1 Committee Recommendations	2
3. OVERVIEW	2
3.1 Ministry of Education Expenditure Guidelines	3
4. COMPETITIVE ACQUISITION	4
5. FAIR AND OPEN ACCESS	4
6. PURCHASING DEPARTMENT INVOLVEMENT	5
7. PURCHASE ORDERS	5
8. CONTINUOUS RELIANCE ON CONTRACTORS	5
9. SUPPORTING DOCUMENTATION	6
10. CONTROLS OVER PAYMENTS	6
11. PURCHASING CONSORTIA	6
12. PURCHASING CARD MANAGEMENT	7
12.1 Verification of Transactions	8
12.2 Employee Recognition and Gift Purchases	8
12.3 Meal Expenditures Using Purchasing Cards	9
12.4 Travel and Conference Expenditures Using Purchasing Cards	9
12.5 Card Utilization	9
NOTES	2
APPENDIX A – EXPENDITURE GUIDELINES	
APPENDIX B – LETTERS TO MINISTRY OF EDUCATION AND SCHOOL BOARDS	
APPENDIX C – AUDITED SCHOOL BOARDS’ RESPONSES TO AUDITOR GENERAL’S REPORT	

## **PREAMBLE**

The Standing Committee on Public Accounts held hearings on the Auditor General's 2006 audit of the acquisition of goods and services by school boards, s. 3.11 of his *2006 Annual Report*, on April 26, 2007. The Committee has endorsed the Auditor's findings and recommendations.

This report constitutes the Committee's findings and recommendations. Background information on sections of the original audit report is followed by an overview of the hearings' main findings and, as appropriate, new recommendations. *Hansard*, the verbatim record of the hearings, should be consulted for the complete record of the proceedings.

## **Acknowledgements**

The Committee would like to thank those who participated in the hearings process: the Assistant Deputy Minister, Business and Finance Division, Ministry of Education and the directors of education from the four district school boards audited for the purposes of the Auditor's report (Durham, Rainbow, Thames Valley, and York Catholic).

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

## **1. AUDIT OBJECTIVES AND MAIN FINDINGS**

The audit's objective was to assess whether the purchasing policies and procedures at four district school boards were adequate to ensure goods and services were acquired economically and in accordance with sound business practices. The four boards were: Durham (DDSB); Rainbow (RDSB);\* Thames Valley (TVDSB);<sup>+</sup> and York Catholic (YCDSB).

The audit focussed on the acquisition of supplies and services but also examined expenditures for equipment, contracted services and minor capital projects. Substantially completed in May 2006, the audit also reviewed the purchasing policies of six other boards to determine if they were similar to those of the audited boards.<sup>1</sup>

The Auditor concluded that the purchasing policies of the four audited boards, and the six whose policies were reviewed, were adequate for promoting due regard for economy. The audited boards were generally complying with their policies and procedures. All four were participating in purchasing consortia.

---

\* The former Sudbury, Espanola and Manitoulin boards of education.

<sup>+</sup> The former City of London, Middlesex, Elgin County, and Oxford County boards of education.

The Auditor did note areas where compliance could be improved. Corporate charge cards were generally being used appropriately but there were policies that were not sufficiently clear relating to meal and travel expenses.

The Auditor felt that various procedures could be improved as well. For example, audited boards were using some suppliers for significant purchases for a number of years without periodically obtaining competitive bids. The Auditor also found that they were often inviting a selected group of suppliers to bid rather than advertising publicly.

The Auditor had concerns about the lack of clear policies respecting the use of funds for employee recognition and gift purchases. He noted that individual amounts were not significant but overall totals equalled thousands of dollars. The Auditor was also concerned about the use of purchasing cards, particularly at one board, for meal and travel-related expenses.<sup>2</sup>

## **2. COMMITTEE REQUEST FOR MINISTRY RESPONSE**

The Committee requests that the Ministry of Education provide the Committee Clerk with a written response within 120 calendar days of the tabling of this report with the Speaker of the Legislative Assembly, unless otherwise specified in a recommendation.

### **2.1 Committee Recommendations**

1. The Ministry of Education report to the Committee by July 15, 2007 on the boards that have not posted the appropriate policies on their web sites as of June 30, 2007.
2. Each district school board review the number of purchasing cards within its system and cancel those cards deemed unnecessary so that accountability controls can be reasonably maintained.

The Committee requests that the Ministry of Education provide the Committee Clerk with a written response to this recommendation within 120 days of the tabling of this report in the Legislature.

## **3. OVERVIEW**

Publicly funded elementary and secondary schools are administered by 72 district school boards and 33 school authorities. Total funding for public education was about \$17.2 billion in 2005/06. Most of that total was spent on salaries and benefits, but several hundred millions were spent on purchases of services, supplies and equipment.<sup>3</sup> The Ministry of Education projects that funding for 2007/08 will be \$18.3 billion.<sup>4</sup>



### 3.1 Ministry of Education Expenditure Guidelines

In response to a question asked of her on December 5, 2006, the Minister of Education told the Legislature that draft expenditure guidelines had been sent to all school trustee organizations on October 19, 2006. A final copy of those guidelines had been sent to all 72 school boards on December 5.<sup>5</sup> (See Appendix A.)

The guidelines addressed four areas of expenditure: the use of corporate credit cards; travel, meals and hospitality; advertising; and advocacy. Each included a principle, best practices, examples, and research statistics. Boards were expected to establish new policies or revise existing policies in each of the four areas. They were also expected to have those policies available on their public web sites by March 31, 2007.<sup>6</sup>

#### Committee Hearings

Ministry staff reported that about 30 or 40 school boards had fully posted the four policies on their web sites. The remaining boards were still in the process of developing policies. In some cases, there was either a board policy or bylaw that required public consultation. The understanding was that all boards would have their policies posted in the near future.<sup>7</sup>

The expectation is that the Ministry will be reviewing these policies over the coming months. It will prepare a summary and report back to the sector. Regular reporting opportunities are available through the Council of Ontario Directors of Education and the Ontario Association of School Business Officials, as well as meetings with trustee associations. These organizations facilitate communication regarding best practices among their respective memberships through annual conferences, meetings and web sites.<sup>8</sup>

#### Committee Recommendation

The Committee is of the opinion that board policies in the four expenditure areas addressed by the Ministry guidelines must be available for public scrutiny.

The Committee therefore recommends that:

- 1. The Ministry of Education report to the Committee by July 15, 2007 on the boards that have not posted the appropriate policies on their web sites as of June 30, 2007.**

On behalf of the Committee, the Chair sent letters to the Ministry of Education and the 72 district school boards advising them of this recommendation. (See Appendix B.)

## **AUDIT OBSERVATIONS AND CONCLUSIONS**

A consolidated summary of the four audited school boards' responses to the Auditor's recommendations was prepared by the Ministry of Education just prior to the Committee's hearings. It is attached to this report as Appendix C.

Audited boards told Committee members that the Auditor's report helped to clarify and refine some practices. Recommendations were described as constructive. Trustees have been advised of these recommendations and of what their administrative staffs have done or plan to do in response.<sup>9</sup>

### **4. COMPETITIVE ACQUISITION**

The purchasing policies of audited boards and the six whose policies were reviewed all required purchases to be made competitively. The processes to be followed (verbal or written quotations, public tenders or requests for proposals – RFPs) depended on the value of the purchase. The thresholds for each type of process varied among boards but were reasonable when compared to those used by the provincial government.

A sample of purchases made in 2003/04 and 2004/05 at the audited boards was assessed to see if boards were complying with their policies. Most of the purchases reviewed were made on a competitive basis in accordance with policies. However, audit staff found some instances where the policies were not followed. Specific details were cited in the audit report.<sup>10</sup> The Auditor recommended that all goods and services be acquired competitively in accordance with board policies.<sup>11</sup>

### **5. FAIR AND OPEN ACCESS**

Purchasing policies state that potential suppliers should have fair and open access to board business, and tenders or RFPs should be open for a minimum of 14 days. In most cases, the intent of an open, fair and transparent competitive process was met. However, audit staff noted instances, for purchases exceeding \$100,000, where boards invited a small number of suppliers to bid instead of using a publicly advertised process. The Auditor cited examples in his report.<sup>12</sup> He recommended using a publicly advertised competitive process for major purchases or where the possibility of a shortage of bidders may exist.<sup>13</sup>

#### **Committee Hearings**

The RDSB has been ensuring that its RFP process is carefully followed. It uses a public advertising system on its web site and through MERX, the international RFP advertising system.<sup>14</sup>

The DDSB will be placing newspaper ads for items such as window glass and custodial supplies, even if a job does not reach its \$50,000 limit. Past practice had been to issue invitations to local or known companies/individuals.<sup>15</sup>

## **6. PURCHASING DEPARTMENT INVOLVEMENT**

Goods and services exceeding a specific threshold are to be acquired through a board's purchasing department. Board staff submit an approved requisition to that department which then processes the requisition and issues a purchase order. This process 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.

Audit staff noted examples at all four audited boards where departments or staff made relatively large purchases without involving the purchasing department. Details were cited in the audit report.<sup>16</sup> The Auditor recommended that school boards ensure that the purchasing department is consulted on all major purchases.<sup>17</sup>

## **7. 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. Audit staff noted instances where purchases were made after a purchase order had expired and where they were issued to extend agreements without obtaining competitive bids. Details were cited in the audit report.<sup>18</sup>

The Auditor recommended that boards not permit purchase order expiry dates and limits to be exceeded.<sup>19</sup>

### **Committee Hearings**

The RDSB's purchase orders now have a duration of one year and are no longer able to float for an extended period of time. The RDSB has also implemented a centralized computer system for entering purchase orders at source. The system ensures that all high-value purchase orders go through the finance department, and that quotes are recorded and submitted to that department. A monthly report ensures that estimates coincide with actual expenditures. If there are over-expenditures, they are carefully scrutinized.<sup>20</sup>

## **8. CONTINUOUS RELIANCE ON CONTRACTORS**

Work orders or service contracts were used for day-to-day or minor projects. Individually, they were usually less than \$5,000, with most being less than \$1,000. Purchasing policies usually do not require a competitive process for individual work orders.

Audit staff noted several instances at three boards where the same contractors were used for a number of years without competitive acquisition. After reviewing the process followed by one board for the awarding of service contracts exceeding \$100,000, they found that \$2.8 million was paid in 2004 and \$2.5 million in 2005

to contractors without a competitive process. Further examples were cited in the report.

The Auditor recommended limiting the number of years that a contract can continue without requiring a new competitive acquisition process and that school boards periodically obtain bids for ongoing routine services.<sup>21</sup>

### **Committee Hearings**

The DDSB is introducing a process which will see tenders come up automatically on its computer system regarding when they end and when they should be put out to the public.<sup>22</sup>

## **9. SUPPORTING DOCUMENTATION**

Documentation was requested to verify that a competitive process was followed and quotations were obtained prior to placing an order. There were instances where such a process had been followed, but supporting documentation was either not kept or not adequately documented. Examples were cited in the audit report. The Auditor recommended that school boards prepare and retain appropriate documentation.<sup>23</sup>

## **10. CONTROLS OVER PAYMENTS**

All audited boards generally had good controls over payments to suppliers. Audit staff did, however, find instances where improvements could be made or where payment errors went undetected. Details were included in the audit report. The Auditor recommended that school boards prohibit unnecessary prepayment for services.<sup>24</sup>

### **Committee Hearings**

Prepayments are not allowed by the RDSB.<sup>25</sup>

## **11. PURCHASING CONSORTIA**

The Ministry of Finance established the broader public sector (BPS) Supply Chain Secretariat in 2005 to promote purchasing initiatives to achieve greater savings or discounts based on higher volumes.

The four audited boards were already participating in consortia with other BPS bodies. They also partnered with neighbouring boards to jointly acquire pupil transportation and various other types of supplies. For example, the six Greater Toronto Area Catholic school boards formed the Catholic School Boards Services Association (CSBSA) in 1998.

Purchasing staff indicated that the savings realized from consortia correlated to the size of the board. For some items, larger boards would realize fewer savings because their own purchasing volumes would have generated a similar discount.

Goods and services purchased through group buying usually need to be delivered directly to schools. Because of their number in some boards, sending small orders to many sites increases costs and reduces potential savings. Hospitals, universities, and colleges only require shipping to relatively few locations.<sup>26</sup>

### **Committee Hearings**

Ontario Buys is a government initiative, led by the Ministry of Finance. Now in its preliminary stage, it will result in the establishment of an electronic portal linking purchasers with suppliers. Part of the initiative pertains to the education sector and is known as the Ontario Education Collaborative Marketplace (OECM). The pilot phase of this activity involves two school boards (Toronto District and Huron-Superior Catholic District), as well as some colleges and universities.

OECM's objective is to ensure its members get the best price in every purchasing category. Part of its overall efficiency is bringing the purchasing discipline of its members to the initial negotiation with suppliers and ensuring that their volume plays a role in the negotiation of final price points. Further efficiencies will result from streamlining and automating members' purchasing processes.

Neither Ontario Buys nor the OECM are fully operational. Committee members were told that within the next 12 months, other school boards and post-secondary institutions will be able to evaluate the price points offered by the OECM and decide whether or not to join.<sup>27</sup>

A provincial purchasing initiative such as the OECM, supporting part of the broader public sector, would take into account the need to support Ontario suppliers and manufacturers. Some of the suppliers available could be local and would be welcome to put their catalogues or pricing online. While the four audited boards are all members of one or more consortia, they were each mindful of the importance of supporting their local economies.<sup>28</sup>

The Committee also heard that boards had formed 35 regional consortia for the delivery of student transportation. Money has been saved and further efficiencies were thought possible. A three-year process of reviewing each consortium had begun.<sup>29</sup>

## **12. PURCHASING CARD MANAGEMENT**

The audited boards have all issued purchasing cards (P cards) to certain staff to help reduce the administrative cost of buying low-cost goods. The size of each program varied, as shown below.

BOARD	# OF PURCHASING CARDS IN 2004/05	2004/05 PURCHASING CARD EXPENDITURES (\$ million)	# OF SCHOOLS IN 2006/07	
			Elementary	Secondary
Thames Valley District	3,200	5.0	154	32
Durham District	170	0.3	105	20
York Catholic District	400	0.5	82	14
Rainbow District	190	1.2	43	11

**Sources:** Ontario, Office of the Auditor General, *2006 Annual Report* (Toronto: The Office, 2006), Figure 3, p. 242. Amounts supplied by individual school boards; and Ontario, Ministry of Education, *Draft: School Board Funding Projections for the 2007-08 School Year – Spring 2007* (Toronto: The Ministry, [2007]). Figures represent average utilization of facilities in 2006/07.

Managers have traditionally approved employee purchases in advance. However, P cards allow individuals to make purchases, often without requiring formal pre-approval. The Auditor felt it was essential to have appropriate review and approval of statements, where managers verify that purchases are being made properly and only for board purposes. Except where noted below, each board generally had adequate policies and procedures for purchasing card usage.<sup>30</sup>

## 12.1 Verification of Transactions

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

The validity of each charge should be verified on monthly statements. Statements and supporting receipts should be forwarded on a timely basis for managerial approval. Audit staff, however, noted instances where no receipts were provided, the receipt lacked sufficient details or it was photocopied or faxed. The boards involved were investigating all questionable expenditures brought to their attention by audit staff.

The Auditor recommended that school boards enforce the requirements that proper detailed receipts be submitted to support all card purchases and that managers follow up on any unusual expenditures.<sup>31</sup>

## 12.2 Employee Recognition and Gift Purchases

Audited boards had no specific policies regarding the use of board funds to purchase gifts to recognize or reward employees. Practices varied significantly among and within boards. The decision to use public funds to pay for such items appeared to be left to the discretion of staff. Purchasing cards were often used to pay for floral arrangements for staff or family members and for gift cards for staff appreciation. Some examples were cited by the Auditor.

The Auditor noted that while individual amounts were not significant, overall totals amounted to thousands of dollars. In some instances purchases may be

justified, but the Auditor believed there is a need for more formal guidance. He recommended that school boards have clear policies regarding the use of board funds for employee recognition and gift purchases.<sup>32</sup>

### **12.3 Meal Expenditures Using Purchasing Cards**

Certain senior staff at one board incurred a number of questionable transactions relating to meal expenses. While they submitted credit card chits, they rarely submitted the detailed receipts required. If more than one person attended, costs were usually divided and charged to individual purchasing cards. This particular board was also the only audited board that did not prohibit the inclusion of alcohol as part of a meal claim.

The Auditor cited examples to illustrate his concerns regarding meals charged by certain senior staff. It was also noted that individual cardholders charged numerous meals without detailed receipts or information about the number of people attending. Subsequent to the audit, a number of staff repaid excessive amounts. Similar issues were found at another board but not to the same extent.<sup>33</sup>

### **12.4 Travel and Conference Expenditures Using Purchasing Cards**

Purchasing cards were being used for most travel expenditures at one board. Another did not allow cards to be used for these expenses except by its Director of Education. At a third, cards were used for travel expenditures, but not extensively. The fourth 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. The audit found that, in some instances, employees charged additional travel costs to their purchasing cards, related to the extended stays, that were not reimbursed to the board. The Auditor also noted instances where travel gift certificates were purchased close to the end of a fiscal year to be used for future travel. Detailed examples were cited in the audit report.

The Auditor recommended that school boards ensure that amounts claimed are reasonable, any personal expenses are not paid by the board, and the purchase of travel gift certificates is prohibited.<sup>34</sup>

### **12.5 Card Utilization**

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

One board had approximately 3,200 cards, 15% of which had no activity for over one year. The board estimated that 25% of the 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.

The Auditor recommended that school boards review the number of purchasing cards that have been issued to staff, and cancel unnecessary cards.<sup>35</sup>

### **Committee Hearings**

Directors of Education spoke of the checks they had in place to manage the use of P cards. Principals, supervisory officers and even Directors themselves have roles to play in monitoring the expenditures of those staff for whom they are responsible.

Policies and procedures have been reviewed and clarified. The TVDSB has those staff who receive P cards sign a form stating that they understand how the card is to be used. It also has controls on cards so that they can only be used in certain locations.<sup>36</sup>

### **Verification of Transactions**

The DDSB now has a monthly sign-off of all P card expenditures through its controller of finance. RDSB staff are regularly reminded of the importance of receipts. Lost receipts are identified to immediate supervisors and superintendents. Unusual expenditures are flagged and questioned.

The YCDSB has introduced a new form to be used by those staff who lose receipts. Staff are required to enter the location of the purchase, its purpose and its outcome. A unique tool for calculating mileage between schools within the YCDSB's jurisdiction has been instituted. Both initiatives were introduced while the Auditor's staff was working at the YDCSB.<sup>37</sup>

### **Employee Recognition and Gift Purchases**

The YCDSB was reviewing its staff recognition and gift purchase policy and will have that completed by the end of the school year. The RDSB has issued guidelines to staff regarding funds for social events.<sup>38</sup>

### **Meal Expenditures Using Purchase Cards**

The alcohol policy of the RDSB has been reviewed. The YCDSB has never paid for alcohol.<sup>39</sup>

### **Travel and Conference Expenditures**

The RDSB has never allowed travel expenses to be put on P cards, except for the Director and two executive assistants. Other staff pay first and claim afterwards.<sup>40</sup>

### **Card Utilization**

The RDSB has an annual review of unused P cards which are then discontinued.<sup>41</sup>



### **Committee Recommendation**

The Committee strongly supports the Auditor's recommendation to the four audited school boards that they review the number of purchasing cards issued to staff and cancel unnecessary cards.

The Committee therefore recommends that:

**2. Each district school board review the number of purchasing cards within its system and cancel those cards deemed unnecessary so that accountability controls can be reasonably maintained.**

**The Committee requests that the Ministry of Education provide the Committee Clerk with a written response to this recommendation within 120 days of the tabling of this report in the Legislature.**

## NOTES

<sup>1</sup> Ontario, Office of the Auditor General, *2006 Annual Report* (Toronto: The Office, 2006), pp. 235-236.

<sup>2</sup> Ibid., pp. 236-237.

<sup>3</sup> Ibid., p. 235.

<sup>4</sup> Ontario, Legislative Assembly, Standing Committee on Public Accounts, *Official Report of Debates (Hansard)*, 2nd Sess., 38th Parl. (26 April 2007): P-309.

<sup>5</sup> Ontario, Legislative Assembly, *Official Report of Debates (Hansard)*, 2nd Sess., 38th Parl. (5 December 2006): 6705-6706.

<sup>6</sup> Memorandum to Directors of Education re School Board Expenditure Guidelines from Assistant Deputy Minister, Business and Finance Division, Ontario Ministry of Education, Toronto, 5 December 2006.

<sup>7</sup> Standing Committee on Public Accounts, *Official Report of Debates*, pp. P-316 – P-317.

<sup>8</sup> Ibid., p. P-316.

<sup>9</sup> Ibid., pp. P-312 – P-313 and P-321.

<sup>10</sup> Office of the Auditor General, *2006 Annual Report*, p. 238.

<sup>11</sup> Ibid., p. 240.

<sup>12</sup> Ibid., p. 238.

<sup>13</sup> Ibid., p. 240.

<sup>14</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-319.

<sup>15</sup> Ibid., p. P-321.

<sup>16</sup> Office of the Auditor General, *2006 Annual Report*, pp. 238-239.

<sup>17</sup> Ibid., p. 240.

<sup>18</sup> Ibid., p. 239.

<sup>19</sup> Ibid., p. 240.

<sup>20</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-321.

<sup>21</sup> Office of the Auditor General, *2006 Annual Report*, p. 240.

<sup>22</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-321.

<sup>23</sup> Office of the Auditor General, *2006 Annual Report*, pp. 240-241.

<sup>24</sup> Ibid., p. 241.

<sup>25</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-321.

<sup>26</sup> Office of the Auditor General, *2006 Annual Report*, p. 242.

<sup>27</sup> Standing Committee on Public Accounts, *Official Report of Debates*, p. P-312.

<sup>28</sup> Ibid., pp. P-313 – P-314.

<sup>29</sup> Ibid., pp. P-314 – P-315.

<sup>30</sup> Office of the Auditor General, *2006 Annual Report*, pp. 242-244.

<sup>31</sup> Ibid., pp. 243-244.

<sup>32</sup> Ibid., p. 244.

<sup>33</sup> Ibid., pp. 244-245.

<sup>34</sup> Ibid., pp. 245-246.

<sup>35</sup> Ibid., pp. 246-247.

<sup>36</sup> Standing Committee on Public Accounts, *Official Report of Debates*, pp. P-311 – P-313 and P-321.

<sup>37</sup> Ibid., p. P-321.

<sup>38</sup> Ibid.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

**APPENDIX A**  
**Expenditure Guidelines**

Ministry of Education  
Office of the ADM

Ministère de l'Éducation  
Bureau du sous-ministre adjoint



Business & Finance Division  
900 Bay Street  
20th Floor, Mowat Block  
Queen's Park  
Toronto ON M7A 1L2  
Telephone (416) 325-6127

Division des opérations et des finances  
900, rue Bay  
20 étage, Édifice Mowat  
Queen's Park  
Toronto ON M7A 1L2  
Téléphone (416) 325-6127

2006:B15

**MEMORANDUM TO:** Directors of Education

**FROM:** Nancy Naylor  
Assistant Deputy Minister  
Business and Finance Division

**DATE:** December 5, 2006

**SUBJECT:** School Board Expenditure Guidelines

---

I am writing to inform you of a new initiative by the Ministry to assist school boards with the development of expenditure guidelines. The Ministry recognizes that many boards have well established and accountable expenditure practices. However, not all boards have made these practices public and the information provided varies significantly among boards. As part of the Ministry's commitment to working with school boards and other education partners to improve management and business practices, this initiative will continue to build public confidence that Ontario has a well-managed education system that focuses resources on students.

The Office of the Auditor General of Ontario released their first value-for-money (VFM) audit report conducted of the school board sector examining boards' purchasing practices. The report provides recommendations to improve current practices. The Ministry appreciates and supports the advice from the Office of the Auditor General of Ontario and strongly encourages all boards to review their current practices in light of the recommendations proposed. The attached expenditure guidelines will also help guide boards with this exercise.

The guidelines are intended for both trustees and school board staff and address the following areas of school board expenditure: (1) use of corporate credit cards, (2) travel, meals and hospitality, (3) advertising and (4) advocacy. The purpose of these guidelines is to define a province-wide standard that provides a foundation for each school board to develop its own specific policies in each area – or to review existing guidelines and policies. The Ministry intends to work with boards to develop more guidelines for other areas of expenditure in the future.

The Ministry conducted an informal survey of existing board policies in each of the four areas this past summer. The results showed that, while many boards had developed policies in one or more of the four areas, there was a need for greater consistency in the content of the policies and the need to ensure that the policies were available to the public on the board's website.

Each of the attached guidelines:

1. States the principles that should guide the development of policy.
2. Identifies best practices that put the principles into action.
3. Provides illustrative examples of suitable and inappropriate expenditures. It should be noted that these examples are not intended to be a comprehensive list and that other examples could be identified.

It is expected that school boards will establish new policies or revise existing policies in each of the four areas and that the policies will be consistent with the guidelines provided by the Ministry. It is also expected that school boards will make these policies available on their public websites by March 31, 2007.

As we continue to focus on our shared goals of improved student achievement, higher graduation rates, lower dropout rates and smaller primary class sizes, this initiative will help address the need to be more transparent in reporting how we use education resources to achieve these goals.



Nancy Naylor  
Assistant Deputy Minister  
Business and Finance Division

Attachment

## **USE OF CORPORATE CREDIT CARDS**

### **PRINCIPLE:**

The use of corporate credit cards should build efficiency by simplifying the acquisition, receipt and payment of low-dollar-value purchases and travel expenses, supported by board policies and procedures about the use and safekeeping of the card. These policies should ensure that cardholders are responsible for exercising due care and judgement when using corporate credit cards. These policies must be publicly available on a school board's website.

### **BEST PRACTICES:**

- The appropriate uses of corporate credit cards are specified in board policies and procedures
- Corporate credit card policies and procedures are reviewed with cardholders
- Corporate credit cards are used only for expenses incurred in relation to a cardholder's duties
- The cardholder is responsible for the card and meeting all the terms and conditions
- All expenditures are supported by receipts; hospitality expense claims should be accompanied with names of individuals entertained and their role. Purpose of the hospitality is also clearly stated
- Appropriate approvals of the expenses are obtained from a higher ranking employee (for example, immediate supervisor); in the case of trustees, the Chair of the Board or a designated senior official of the board; in the case of The Chair of the Board, a designated senior official of the board other than the Director of Education; the Chair of the Board should approve all of the expenses initiated by the Director of Education.
- Cash advances are kept to a minimum and limited to unusual circumstances; appropriate approvals should be obtained
- A monitoring process is in place to ensure corporate credit cards are used in accordance with established policies and procedures

### **EXAMPLES:**

Examples of suitable use of a corporate credit card include:

- Payment for travel, meals and hospitality in compliance with established policies and procedures
- Tokens of appreciation for voluntary services such as presentations and guest speakers; retirement presents

Examples of inappropriate use of a corporate credit card include:

- Personal charges, such as booking personal travel
- Lavish gifts
- Split purchases to circumvent approval limits

#### **RESEARCH STATISTICS:**

Out of 72 school boards surveyed, 19 had a corporate credit card policy available on the board's public website. Eight boards' policies addressed specific types of expenditures permitted on the corporate card. One board specifically required proof of expenditure to accompany the claim.

## **TRAVEL, MEALS, AND HOSPITALITY EXPENDITURES**

### **PRINCIPLE:**

School board expenditures for travel, meals, and hospitality must be reasonable and transparent, with appropriate accountability and reporting mechanisms based on system-wide policies.

### **BEST PRACTICES:**

- Policies and procedures should be publicly available on a school board's website
- Policy should clearly address:
  - Travel reimbursement costs within and outside the province
  - Kilometric reimbursement rates for personal vehicle use
  - Meal allowances
  - Hospitality expenses
  - Policy on reimbursement of alcohol
  - Standard level of travel and accommodation
  - Non-reimbursable expenses
  - Cash advances
- Expenditures are in compliance with the established policies and procedures
- Policies and procedures specifically address exceptions and processes to follow
- Policies and procedures ensure fair and consistent treatment of all employees and, where applicable, are consistent with collective agreements
- Expenses are associated with employee's duties, support the program objectives of the organization, and maximize the benefits to the organization
- Expenditures are accompanied with original receipts to support the claim; hospitality expense claims should be accompanied with names of individuals entertained and their role. Purpose of the hospitality is also clearly stated.
- Appropriate approvals of the expenses are obtained from a higher ranking employee (for example, immediate supervisor); in the case of trustees, the Chair of the Board or a designated senior official of the board; in the case of The Chair of the Board, a designated senior official of the board other than the Director of Education; the Chair of the Board should approve all of the expenses initiated by the Director of Education.
- The policies clearly address when and if reimbursement of alcohol is permitted; reimbursement of alcohol is not encouraged
- Cash advances are kept to a minimum and should be limited to unusual circumstances; appropriate approvals should be obtained
- Preference to be given to travel services and accommodation that provide specially negotiated rates (such as government rates)
- Periodic review and audit of expenditures are undertaken to monitor the adherence to the policy



### **EXAMPLES:**

Examples of suitable expenditures for travel, meals and hospitality include:

- Cost for official board representatives to attend a meeting of benefit to the school board (such as education/business conferences, stakeholder association meetings, professional development sessions)
- Tokens of appreciation for voluntary services such as presentations and guest speakers; retirement presents

Examples of inappropriate expenditures for travel, meals and hospitality include:

- Excessive meal expenses and accommodation
- Hotel movies and mini-bar snacks
- Re-furnishing of offices due to staff changes
- Supporting a fundraiser or event for a specific political party
- Lavish gifts

### **RESEARCH STATISTICS:**

Out of 72 school boards surveyed, 44 had a travel, meal, and hospitality policy available on board's public website. 31 boards required original receipts to be submitted for reimbursement of expenses. Approval to travel was addressed in the policy of 29 boards, and 12 boards required additional approvals for travel outside the province or country. 24 boards addressed daily meal allowance in their policy. One board allowed reimbursement of alcohol expenses.

## **ADVERTISING EXPENDITURES**

### **PRINCIPLE:**

Advertising expenditures should be for the purposes of informing and educating the public, as well as creating awareness of education programs, services, issues, events and community activities of specific interest or benefit to students and families. The level of expenditure should be appropriate to school board status as a taxpayer funded organization whose primary purpose is to educate students.

### **BEST PRACTICES:**

- School boards exercise due diligence in determining the advertising medium that maximizes cost efficiency
- Appropriate approvals support the nature and the extent of an advertising campaign
- Advertising campaigns are targeted to specific groups that have a demonstrable need for information
- Advertising presents objective, factual and explanatory information based on verifiable facts in an unbiased, fair and equitable manner
- Advertising campaigns are in compliance with any applicable laws and regulations
- School boards are able to produce measurable outcomes as a result of advertising activities (for example, increase in number of inquiries or participation rates; awareness surveys)
- School boards have a process in place to ensure that advertising expenditures are adequately managed to achieve planned outcomes (such as ensuring that the actual advertisement was done appropriately and checking actual against planned outcomes)
- School boards have a process in place to ensure that significant advertising expenditures are competitively placed

### **EXAMPLES:**

Examples of suitable uses for advertising include:

- School registration including kindergarten registration
- Program offerings
- Extracurricular activities
- Public consultations
- Employment opportunities
- Requests for tenders for goods and services
- School board accountability to the public (for example, annual publication of board financial statement)

- Information to Catholic and French-language education rightholders about their constitutional rights and the availability of Catholic and French-language education in their community

Examples of inappropriate uses of advertising include:

- Recruiting students from other school boards or schools
- Providing unverifiable or inaccurate information or comparisons
- Using paid advertising or communications with parents, teachers, or students for the sole purpose of advocating the government or other education partners
- Using advertising that is not targeted to appropriate groups, for example through widespread phone calls and automatic phone messages

### **RESEARCH STATISTICS:**

Out of 72 surveyed school boards, 13 had an advertising policy publicly available on school board's website. Out of those 13 boards, only 2 boards addressed communication plan and budget requirements in their policy, as well as approval of exceptions to the policy. Five school boards specifically addressed competitive selection processes in their advertising policy.

## **ADVOCACY EXPENDITURES**

### **PRINCIPLE:**

School board communication with the Ontario government is an important activity to identify, discuss and find solutions to policy and financial issues. Ontario has an effective education governance structure to ensure there is open and ongoing communication between school boards and the province, including partnership tables, regular meetings and other vehicles established by the government.

### **BEST PRACTICES:**

- Focus on ongoing communication between school boards, education partners and governments through established mechanisms and channels
- Avoid basing communications on personal or partisan political agendas
- Maximize resources for student success and achievement

### **EXAMPLES:**

Examples of suitable advocacy expenditures include:

- Membership dues and fees to appropriate organizations

Examples of inappropriate advocacy expenditures include:

- Placing content intended to advocate for a particular position with report cards and annual reports
- Using students as vehicles for board or school advocacy to the public, education partners and governments
- Use of board funds to attend events for specific political parties

### **RESEARCH STATISTICS:**

None of the boards surveyed had a distinct, publicly available policy on advocacy.

## **APPENDIX B**

### **Letters to Ministry of Education and School Boards**

May 16, 2007

Nancy Naylor, Assistant Deputy Minister  
Ministry of Education  
Elementary/Secondary Business and Finance Division  
22<sup>nd</sup> Floor, Mowat Block, 900 Bay Street  
Toronto, ON M7A 1L2

Dear Ms Naylor:

On Thursday, April 26, 2007, the Standing Committee on Public Accounts held hearings on section 3.11 of the Auditor General's *2006 Annual Report*, School Boards – Acquisition of Goods and Services. Committee members met with you and officials from the four school boards whose policies and procedures were the focus of section 3.11's findings and recommendations.

The Committee endorses the Auditor's findings and recommendations with respect to section 3.11. At the same time, it acknowledges and appreciates the response of the Ministry of Education and those of the four audited school boards to the Auditor's report.

The Ministry of Education sent expenditure guidelines to all school boards on December 5, 2006, shortly after the release of the Auditor's report. Those guidelines addressed four areas: the use of corporate credit cards; travel, meals and hospitality; advertising; and advocacy. Policies complying with these guidelines were to be made available on each board's web site by March 31, 2007. During the course of its hearings, the Committee learned that while many boards had met this expectation, many others had not.

The Committee is of the opinion that board policies in these areas must be available for public scrutiny. It is requesting that the Ministry of Education report by July 15, 2007 on the boards that have not posted the appropriate policies on their web sites as of June 30, 2007.

The Ministry is asked to forward its response to Katch Koch, Clerk of the Committee.

Yours truly,

Norm Sterling, MPP  
Chair of the Committee

16 May 2007

[Name of Director of Education]  
[Name of School Board]  
[Address]

Dear:

On Thursday, April 26, 2007, the Standing Committee on Public Accounts held hearings on section 3.11 of the Auditor General's *2006 Annual Report*, School Boards – Acquisition of Goods and Services. Committee members met with officials from the Ministry of Education and the four school boards whose policies and procedures were the focus of section 3.11's findings and recommendations.

The Committee endorses the Auditor's findings and recommendations with respect to section 3.11. At the same time, it acknowledges and appreciates the response of the Ministry and those of the four audited school boards to the Auditor's report.

The Ministry of Education sent expenditure guidelines to all school boards on December 5, 2006, shortly after the release of the Auditor's report. Those guidelines addressed four areas: the use of corporate credit cards; travel, meals and hospitality; advertising; and advocacy. Policies complying with the guidelines were to be made available on each board's web site by March 31, 2007. During the course of its hearings, the Committee learned that while many boards had met this expectation, many others had not.

The Committee is of the opinion that board policies in these areas must be available for public scrutiny. It has requested that the Ministry of Education report to the Committee by July 15, 2007 on the boards that have not posted the appropriate policies on their web sites as of June 30, 2007.

Yours truly,

Norm Sterling, MPP  
Chair of the Committee

c.c. Chair of the School Board

Nancy Naylor, Assistant Deputy Minister, Business and Finance Division, Ministry  
of Education

## **APPENDIX C**

### **Audited School Boards' Responses to Auditor General's Report**



## Consolidated Summary for all 4 Boards' Responses to the Report of the Auditor General of Ontario

Auditor's Recommendation	Completed Undertaking	Outstanding Undertaking (Including Timeline)
<p>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:</p> <ul style="list-style-type: none"> <li>• ensure that the purchasing department is consulted on all major purchases;</li> <li>• ensure that all goods and services are acquired competitively in accordance with board policies;</li> <li>• use publicly advertised competitive process for major purchases or where the possibility of a shortage of bidders may exist;</li> </ul>	<p>All boards have a current practice of ensuring that the purchasing department is consulted on all major purchases</p> <p>One board is in the process of enhancing the centralized computer system to ensure that this recommendation is followed.</p> <p>Boards do require that all goods and services be acquired competitively. One board stated that in some emergency situations, usually involving Facility Services, it may not be possible to obtain three written quotes for goods and services as required by policy.</p> <p>One board is also establishing vendors of record.</p> <p>All boards meet this requirement by doing one or many of the following:</p> <ul style="list-style-type: none"> <li>• post to the board website</li> <li>• maintain a bidders list</li> <li>• post to a national website</li> <li>• newspaper advertisement.</li> </ul>	<p>Full roll out of the enhanced computer system is expected by August 2007.</p> <p>As part of the policy and procedure review by one board, administration is considering revisions on the dollar limits for obtaining 3 written quotes and may make changes by April 2007.</p>

## Consolidated Summary for all 4 Boards' Responses to the Report of the Auditor General of Ontario

Auditor's Recommendation	Completed Undertaking	Outstanding Undertaking (Including Timeline)
<ul style="list-style-type: none"> <li>limit the number of years that a contract can continue without requiring a new competitive acquisition process;</li> <li>not permit purchase order expiry dates and limits to be exceeded; and</li> <li>periodically obtain bids for ongoing routine services.</li> </ul>	<p>Three boards (of which one has not yet tabled their policy) have this as a current practice. One board will revise their current practice upon expiry of existing contracts.</p> <p>One board stated that this was not possible in the case of publishers who hold copyright for books and learning materials as they are single source suppliers.</p> <p>Current policy now implemented at all boards.</p> <p>Three of the boards have implemented a policy and one will be implementing a policy as current contracts expire.</p>	<p>One board will be reflecting this in a revised Purchasing Policy and Procedure scheduled for April 2007.</p>
<p>2. To help ensure that due regard for economy can be demonstrated for all purchasing decisions, school boards should prepare and retain appropriate documentation.</p>	<p>All boards require staff to retain appropriate documentation. Two boards have reviewed policies that are in place with appropriate staff.</p> <p>One board has developed a bid process form to enhance their process of documentation. This form will track and document the bidding process.</p>	

## Consolidated Summary for all 4 Boards' Responses to the Report of the Auditor General of Ontario

Auditor's Recommendation	Completed Undertaking	Outstanding Undertaking (Including Timeline)
<p>3. To help protect against the risk of not receiving services paid for, school boards should prohibit unnecessary prepayment for services.</p>	<p>Three boards (of which one has not yet tabled the policy) do not allow prepayments.</p> <p>One board has an exemption process to be used in limited circumstances. Any conditions which may qualify for an exemption will have to demonstrate financial benefit, security and risk assessment as well as board approval.</p>	<p>This board will be incorporating this into the revised policy of the board in April 2007.</p>
<p>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.</p>	<p>There is a policy and/or guideline in place at all school boards to ensure that only valid school board expenditures are charged, all expenditures are supported, and follow up is done where deemed necessary. In some cases:</p> <ul style="list-style-type: none"> <li>• The board has reviewed the requirements with card holders and finance staff.</li> <li>• A sign off procedure has been put in place for completion by card holders when they receive their card, acknowledging board requirements.</li> <li>• Annual reviews/audits are conducted to ensure compliance with these guidelines.</li> </ul> <p>One board has revised its policy.</p>	<p>Presentation of revised policy to the board is scheduled for April 2007.</p>

## Consolidated Summary for all 4 Boards' Responses to the Report of the Auditor General of Ontario

Auditor's Recommendation	Completed Undertaking	Outstanding Undertaking (Including Timeline)
<p>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.</p>	<p>Three boards have an existing guideline for the recognition of employees and one board is in the process of developing guidelines. These guidelines have been communicated or reviewed with management staff responsible for approval and finance staff. Appropriateness of expenses is subject to monthly review and approval.</p> <p>Although three boards have existing guidelines, in one case changes are being made to the existing guidelines.</p>	<p>For the board developing the guideline, completion is expected May 2007.</p> <p>The revised guidelines of the board are expected to be presented to the board in April 2007.</p>
<p>6. To help ensure that meal and travel expenses are appropriate, school boards should ensure that:</p> <ul style="list-style-type: none"> <li>• amounts claimed are reasonable;</li> <li>• any personal expenses are not paid by the board; and the purchase of travel gifts certificates is prohibited.</li> </ul>	<p>All of the boards have policies in place to ensure that meal and travel expenses are appropriate. In some cases:</p> <ul style="list-style-type: none"> <li>• Claims are reviewed for compliance prior to reimbursement.</li> <li>• Reviews/audits are conducted annually to monitor compliance.</li> <li>• Requirements are reviewed with management staff responsible for approval as well as finance staff.</li> </ul> <p>One board has implemented a new travel kilometre calculation tool to ensure that travel kilometres claimed are reasonable.</p>	

## Consolidated Summary for all 4 Boards' Responses to the Report of the Auditor General of Ontario

Auditor's Recommendation	Completed Undertaking	Outstanding Undertaking (Including Timeline)
	<p>Although all boards had policies in place, existing policies were reviewed or are in the process of being reviewed by two boards to determine if any changes are required to increase compliance. In one case, where changes were deemed necessary, the changes were incorporated into a revised policy that will be tabled.</p>	<p>One board will present its revised policy to the board in April 2007.</p>
<p>7. To help limit the risk of inappropriate expenditures being incurred on purchasing cards, school boards should:</p> <ul style="list-style-type: none"> <li>review the number of purchasing cards that have been issued to staff; and</li> <li>Cancel unnecessary cards.</li> </ul>	<p>All of the boards have procedures in place to review purchasing cards that have been issued. For instance, an annual report is generated which provides a list of cards that have no activity for the year.</p> <p>Cards with little or no activity are cancelled. In two cases, cardholders are informed of these changes.</p>	<p>On an ongoing basis beginning at the end of the school year, June 2007, administration in one board will undertake an analysis of card usage in order to reduce the total number by reviewing low usage and small dollar transactions. The size of school, number of cards per school/department and ability to access resources will be part of the decision.</p>