



UNIVERSITY OF
TORONTO

Expense Accountability

Presentation to Business Board

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Agenda

- **Procurement of goods and services**
- **Reimbursement of expenses**
- **Key risks.**
- **Examples of oversight.**

Legal and Regulatory Environment

- **Federal Agreement on Internal Trade, as endorsed by Ontario.**
- **Quebec-Ontario Procurement Agreement.**
- **Ontario Ministry of Finance Supply Chain Guideline.**
- **Regulatory requirements from funding agencies.**
- **Public procurement legal precedents.**
- **Freedom of Information and Protection of Privacy Act.**

U of T Purchasing Environment

- **Highly decentralized procurement model.**
- **No mandating of suppliers.**
- **Business Board-approved purchasing policy outlines core requirements.**
- **Detailed processes and procedures.**
 - www.procurement.utoronto.ca

Key Elements

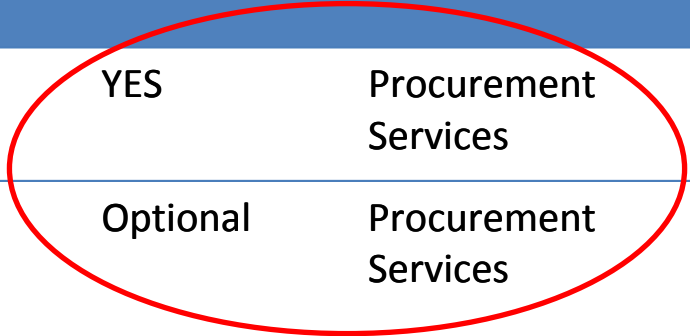
- **Procurement Services:**
 - establishes purchasing processes and procedures to comply with legal, regulatory and policy requirements.
 - manages purchases of \$25,000 or higher, including public tenders, RFP's, and purchase orders, with divisional involvement.
 - negotiates and manages University wide contracts.
 - participates in public buying groups to leverage economies of scale on various commodity contracts.
 - provides UShop electronic procurement, purchasing card and travel card services to divisions.

Key Elements

- **Divisions:**
 - make purchases less than \$25,000.
 - make purchases through UShop at any level.
 - may operate a local buying centre that handles some Procurement Services functions, e.g. UTSC.
 - buyers include unit administrators, faculty members, principal investigators, lab technicians, graduate students, etc.
 - approve and initiate payments via invoice transactions in system, purchasing card, travel card, petty cash.

Purchasing Policy Thresholds

| Threshold | Ushop | Purchase Order | Quotations | Public RFP | Issue Authority |
|--|-------|----------------|--------------------|------------|----------------------|
| \$100,000+ | YES | YES | WRITTEN | YES | Procurement Services |
| \$25,000 - \$100,000 | YES | YES | 3 written | Optional | Procurement Services |
| \$5000 - \$25,000 | YES | YES | 2 Written / Verbal | No | Department |
| \$0 - \$5000 | YES | Optional* | Optional | No | Department |
| * PO/Ushop required for all radioisotope purchases | | | | | |



Current Key Initiatives

- **Legal review to assess compliance with legal and regulatory requirements.**
- **Process review to assess compliance with policy and process.**
- **Discussion with Ministry of Finance OntarioBuys regarding ongoing development of Supply Chain Guideline.**
- **“Ontario Education Collaborative Marketplace” (OECM) development for enhanced electronic procurement and collaborative strategic sourcing across education sector.**

Expense Reimbursement

- **Out of pocket expenses being claimed must be:**
 - **legitimate business expense incurred in the course of University business.**
 - **appropriate for the type of activity being undertaken.**
 - **reasonable in the context of the activity.**
 - **supported by original receipts.**
- **University has standards for various types of expenses and provides for judgment in context of these principles.**
- **If funding source is a research grant, the requirements for eligibility of the granting agency supersede University standards.**

Examples of U of T Standards*

- **Airfare:** the least expensive economy class fare available for all domestic and international flights less than 6 hours long.
- **Vehicle rental:** a mid size car.
- **Hotel:** a single room with a private bath in a business class hotel.
- **Meals:** a restaurant in a business class hotel or other of equivalent quality.
- **Meal per diems:** where receipts are not submitted.

* U of T standards; superseded by granting agency requirements.

Expense Reimbursement Attestations

- **Signature by claimant with declaration:**
“I have read the University’s regulation on reimbursement of expenses and confirm that I am in compliance.”
- **One-up approval on all expense reports; no sideways delegation permitted.**
- **Annual administrative accountability reports:**
“I have personally reviewed and approved all requests for expense reimbursements and accountable advance settlements for the faculty and staff who report directly to me.”

Key Risks

- **Legal and regulatory risks**
 - risk of getting sued.
- **Economic risks:**
 - value for money.
 - disqualification for, or withdrawal of, funding.
 - avoidance of fraud.
 - cost-effective processes.
- **Reputation risks:**
 - all of the above.
 - perceived legitimacy, reasonableness and appropriateness of expenditures.

Examples of Oversight

- **Extensive reporting to granting agencies, donors and other contributors on monies spent.**
- **Internal Audit reviews:**
 - **President and vice-president expense reports.**
 - **Continuous auditing and department reviews.**
- **External auditors.**
- **Federal granting agencies' auditors.**
- **Provincial government auditors.**
- **Auditors for other granting agencies and other contributors of funds.**
- **Finance reviews all payments => \$50,000.**
- **Regular review of expense reimbursement standards.**

Capital Projects

PRACTICE/COMPLIANCE

Capital Projects - Expenditures

| | <u>2002 – 2006</u> | <u>2006 – 2009</u> | <u>Total</u> |
|-------------------|--------------------|--------------------|---------------|
| AFD projects < 2M | \$70M | \$79M | \$149M |
| BB projects >2M | <u>\$183</u> | <u>\$400</u> | <u>\$583</u> |
| Total | \$253M | \$479M | \$732M |

Architect Selection Process – Major Projects

- **Notice placed on MERX**
- **RFP or EOI publicly available**
- **Shortlist to five or six by selection committee**
- **Following presentations – selection by consensus of committee**
- **For smaller projects or where time is of the essence, Internal Design Team is contracted**

Vendor Pre-Qualification Process

- **Pre-qualification of major contractors such as general, mechanical, electrical, asbestos abatement and demolition.**
- **Pre-qualification process done annually.**
- **Required information to be provided:**
 - **CCDC-11, Contractors Qualification Statement**
 - **Dun & Bradstreet Report or alternative credit reporting information**
 - **Letter of Good Standing from the surety indicating aggregate project bonding limits**
 - **Three reference checks for new vendors**
- **Vendors are notified that the University is in contractual relations with the following unions:**
 - **Electrical**
 - **Plumbing & Pipe fitting**
 - **Painters**

Vendor Pre-Qualification Process (con't)

- **Vendors are notified that they must comply with the University of Toronto Environmental Health and Safety Program.**
- **Vendors are notified that the University will receive bids through the Electronic Plans Room (EPR) at the Toronto Construction Association.**
- **Pre-qualified contractor listing kept on internal shared drive for Real Estate Operations**
- **Construction Manager maintains vendor list**

Tender / RFP Process

- **Decision to proceed based on Business Board and/or AFD approval and final TPC.**
- **Decision on Procurement type based on schedule/nature of project/and completion of tender documents.**
- **Contract Types and Uses**
 - a) **CCDC-2, Stipulated Price Contract. Used when bid documents are complete and schedule requirements are known. Mostly on AFD approved projects up to \$2,000,000**
 - b) **Request for Proposal (RFP) Construction Management Contractor Services. Used to fast track project. Project can start using a construction management method with conversion to stipulated sum to reduce risk of cost overruns.**
 - c) **Design Build Option. RFP can be modified to include design build (CCDC-14 2000). Used on KIP projects at UTSc and UTM.**
 - d) **CCDC-18, Civil Work Contract (unit price). Used on site service type contracts I.C., storm water management**

Vendor Selection

- **Sourced from pre-qualified contractor listing**
- **Selection based on the following criteria's**
 - Experience with the type of work being tendered
 - Bonding and credit reports
 - Skill and experience of proposed project team
 - Contractor performance evaluation – which reviews the contractors current performance on site coordinators, schedule, change orders, and claims
 - Vendor evaluation form is completed by PM and reviewed by Construction Manager
 - Vendors that perform below expectation will be suspended from bidding on future work

Awards Process

- **All tenders and RFP's are closed at 255 McCaul Street, and opened with procurement, the Project Manager, the Consultant, and the Client present**
- **In a stipulated lump sum contract the award is made to the lowest compliant bidder**
- **In a RFP (CM with conversion) contract an evaluation committee will evaluate RFP response and recommend and award based on:**
 - **Fee**
 - **Quality of RFP response**
 - **Methodology and approach**
 - **Project staffing**
 - **Schedule**
 - **Procurement method with sub-trades**

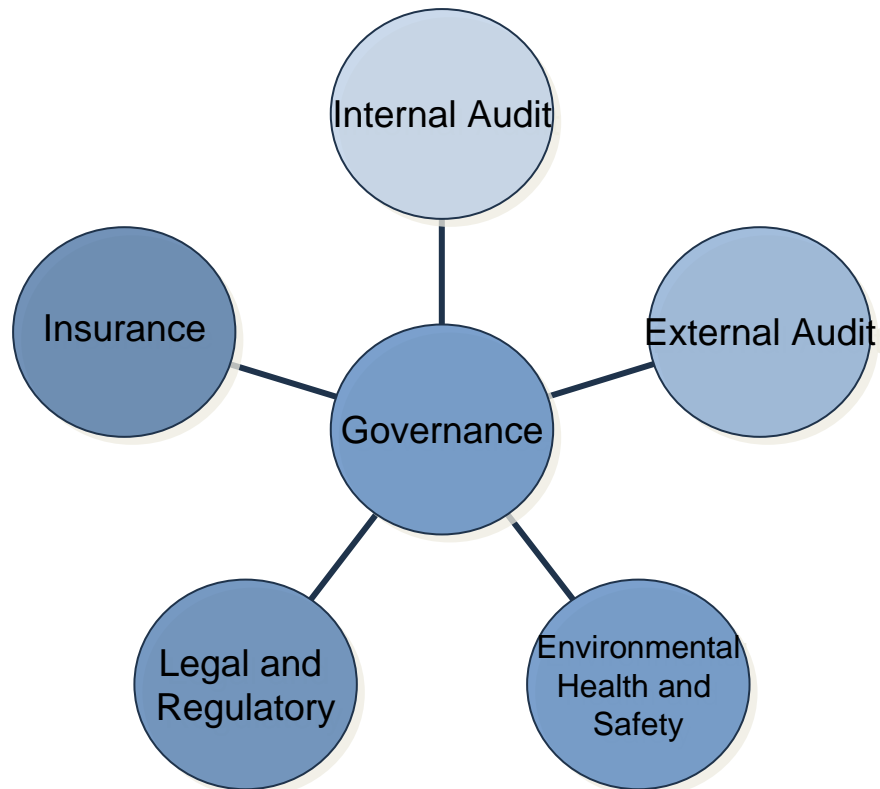
Monitoring The Contract

- **Weekly inspection by the consultant**
- **Two week look-a-head schedule provided by its contractor**
- **Monthly review of the critical path by the consultant, contractor, project manager, construction manager**
- **Change order process – contractor must be compliant with GCG.2 of the University of Toronto's supplementary conditions dated April 1, 2008**
- **Change orders are reviewed by the consultant, approved by the project manager and construction manager**
- **Summary of change orders are reviewed at month end to monitor the construction contingency**

Project Close Out

- **Project Managers complete financial close after substantial completion with financial services.**

U of T Administration Assurance Functions



Internal Audit

Provide assessments about the effectiveness of internal controls and compliance with internal and external policies, procedures, guidelines and laws

Internal Auditing

EXPENSE COMPLIANCE – ANNUAL INTERNAL AUDIT PLAN ACTIVITIES

- **Continuous Auditing**
- **Departmental Audits and Follow-up Reviews**
- **Special Reviews**

Internal Auditing

EXPENSE COMPLIANCE

- **Procurement of goods and services – Operating, Research and Capital funds**
- **Expense Reimbursement Reporting**
- **Contracts**