

## MANAGEMENT REPORT



Date: January 16, 2015  
Author: Nicola McLaren

Meeting date: January 22, 2015  
To: Library Board  
From: Nicola McLaren, Business Manager

Subject: **CHANGE RECOMMENDATION TO FINANCE POLICY 6.3-APPROVALS  
– MOTION REQUIRED**

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### **SUMMARY**

The Board is being asked to update Policy 6.3(b) to establish a more efficient threshold for expenditures requiring a Library Purchase Order. This change has been discussed, reviewed and approved by the CFO.

Proposed is an increase in the threshold for purchases requiring a Purchase Order from the existing \$50 to \$500. This policy update will improve staff efficiency by avoiding excessive Purchase Order creation, approval and tracking, but will still maintain adequate financial controls over purchasing and procurement.

Other changes to Policy 6.3(b) changes are also proposed to reflect the Library's compliance with DNV's Purchasing, Equipment and Supplies Policy. These changes, also supported by the CFO, are recommended as an interim step until this policy is re-visited and revised as part of the proposed financial policy refresh project.

### **PURPOSE**

This report is for decision.

### **RECOMMENDATION**

The Board is being asked to update Finance Policy 6.3(b) to increase the threshold for Purchase Order requirement. The following motion is recommended:

**THAT Finance Policy 6.3 be updated as proposed to increase the Library Purchase Order threshold from \$50 to \$500 and to provide interim policy updates to reflect the DNV's Purchasing, Equipment and Supplies Administrative Policy.**

## **DIRECTOR'S COMMENTS**

This is a relatively minor change that will have an immediate positive impact on staff efficiency and facilitate a more timely and efficient purchasing process at the Library. I have reviewed the documents and discussions between our Business Manager and the CFO on this proposed change, and am confident this has been carefully considered and evaluated.

## **POLICY**

The proposed policy 6.3 is appended to this report, along with the text of the current policy 6.3.

[\*Appendix I\*](#)

## **BACKGROUND**

The \$50 threshold for purchase orders was identified as problematic by the internal audit report in October 2012, which stated “the requirement to issue purchase orders for purchases > \$50 should be reconsidered. The dollar threshold is likely too low”. Operationally, this low threshold represents an inefficient use of staff time: from Jan - Nov 2014, 128 Library POs were issued for purchased < \$5,000. Of these, purchases < \$500 represented 55% of these POs but only 18.15% of the dollar value of purchases. (Note: all purchases > \$5,000 require a Purchase Order issued by DNV Purchasing).

This change was discussed with the CFO and she supports the recommendation to increase the threshold for Library POs to \$500.

## **DISCUSSION**

On the surface, this seemed to be a simply policy update to reflect the 2012 recommendations of the internal auditor and to relieve a seemingly unnecessary staff time burden. However, working on these recommendations for policy change provided interesting insight into the issues surrounding the desired overall Library financial policy refresh project.

Finance policy 6.3 is a good example of Board policy that includes both “policy” (ie a statement of what we want to achieve) and “procedure” (ie. what specific steps will we take to achieve the policy goal). It also is representative of the various parts of existing Library policy that reflect a departure from established DNV policy, and thus represents a “Board-defined variance”. Some Board-defined variances are recommended to reflect unique operational or visionary needs of the Library; this does not appear to be a situation that warrants such a departure from DNV policy.

The recommended changes bring the Library policy more closely in alignment with the DNV policy and reflect the operational reality of the Library complying with the DNV Purchasing policy. The increase in threshold provides an update to an outdated financial level for pre-approvals of purchases to reflect best use of staff time and provide a reasonable balance between safeguarding of financial assets and maximizing efficiency of the purchasing cycle.

In this context, it was particularly useful to work with the CFO to obtain her support of the proposed PO threshold increase. She has recommended that as part of the updating of the financial policies we should include “an acceptable refresh cycle so that limits do not become obsolete with the passage of time”. This will be included as part of the larger-scope financial policy update project to be carried out during 2015.

### **FINANCIAL IMPLICATIONS**

No direct costs attributable to this policy change. However, efficiencies will be achieved regarding staff time spent creating, approving and matching Purchase Orders. This will also have a positive effect on the timeliness of the procurement process, and enable better focus on more financially significant Library non-collections expenditures.

### **FINAL REMARKS**

Finance Policy 6 is one of the many policies that will be reviewed and updated as part of the financial policy refresh project that is scheduled to occur during 2015. These recommended changes represent an interim step in correcting inefficiencies or inconsistencies between the current Finance policy and the DNV policies, and incorporate an update to an outdated financial threshold that was recommended by the internal auditor and approved by the CFO.

**PROPOSED REVISED  
POLICY 6.3 – APPROVALS**

**6.3 APPROVALS**

- a) All invoices are initialled for payment by the Director of Library Services (or designate), or by Acting Director appointed in the Director’s absence.
- b) Expenditures for goods and services greater than \$500.00 (other than library materials) must be documented through a Purchase Order form signed by the Director or designate.
- c) Expenditures for goods and services in excess of \$10,000 not specifically detailed in annually approved Operating or Capital Budgets must be approved by the Director together with a resolution from the Library Board.

**.1 Expenditures**

Purchasing decisions are made on the basis of price, quality and availability of goods and services and in compliance with 3.18 “Green” Building Operations Policy. Normal ordering procedures require a purchase order for purchases over \$500.00. Purchases of goods and services (excluding the acquisition of books and other collections materials) are made according to Section 6.3 and the following guidelines:

- a) Acquisitions of items or services under \$1,000 do not require competitive bids.
- b) Acquisitions of items or services between \$1,000 and \$4,999 require a Library Basis of Award form, and preferably telephone quotations which shall be obtained from three qualified vendors. If a reason exists for not securing competitive quotes, the Basis of Award form must show the reason. The Basis of Award form must be approved by the appropriate manager or the Director of Library Services.
- c) Acquisitions of items or services over \$5,000 require a Purchase Order issued by the DNV Purchasing department pursuant to the DNV’s Administrative Policy on “Purchasing, Equipment and Supplies”.

## EXISTING POLICY 6.3

### 6.3 APPROVALS

(Approved by Library Board October 13, 2004)

(Revised by the Library Board July 14, 2005)

- a) All invoices are initialled for payment by the Director of Library Services or by Acting Director appointed in the Director's absence.
- b) Expenditures for goods and services greater than \$50.00 (other than library materials) must be documented through a Purchase Order form signed by the Director or designate.
- c) Expenditures for goods and services in excess of \$10,000 not specifically detailed in annually approved Operating or Capital Budgets must be approved by the Director together with a resolution from the Library Board.

#### .1 Expenditures

Purchasing decisions are made on the basis of price, quality and availability of goods and services. Normal ordering procedures require a purchase order for purchases over \$50.00. Purchases of goods and services are made according to Section 6.3 and the following guidelines:

- a) Acquisitions of items or services under \$1,000 do not require competitive bids.
- b) Acquisitions of items or services between \$1,000 and \$9,999 require telephone quotations which shall be obtained from three qualified vendors (exception is the acquisition of books and materials from single source suppliers within this category).
- c) Acquisition of items or services between \$10,000 and \$49,999 require three written quotations in response to a written invitation from the Library for the goods and services required.
- d) Acquisition of items or services, including contracts for professional or technical services estimated to exceed \$49,999 shall be tendered in conformance with District of North Vancouver procedures.

For items or services between \$1,000 and \$49,999, the record of telephone quotations or written quotations must be recorded on the Basis of Award Form and submitted to the Director along with the purchase order or requisition. If a reason exists for not securing competitive quotes, the Basis of Award form must show the reason.

Any variances or exceptions for items or services up to \$9,999 must be approved by the Director of Library Services and one Management Committee member. If the items or services are \$10,000 or more, variances or exceptions must be approved by the Director of Library Services and the Library Board Chair, and must be reported at the next Library Board meeting.