

# OFFICE OF THE CONTRACTOR-GENERAL

## Report of Investigation

### Conducted into the Social Development Commission

#### EXECUTIVE SUMMARY

The Office of the Contractor-General (OC-G) in May 2005, initiated a monitoring of the Social Development Commission (SDC), an agency of the then Ministry of Local Government, Community Development and Sports (MLGCD&S), to determine whether it was adhering to the Government of Jamaica's procurement guidelines.<sup>1</sup> The monitoring was later upgraded to an investigation based on discussions with the Ministry.

While perusing the files of the SDC, inconsistencies were found in the procurement process used for purchasing items below the J\$4 million threshold. In some instances, evidence of the use of the Limited Tender method (i.e. the three quote system) was observed, but in other instances there was no evidence of the method of procurement utilized.

The investigation revealed that the Commission operated without a functioning Procurement Committee, or a Board of Directors, which may account for the deviations from the procurement guidelines. The OC-G recommended that a Procurement Workshop be conducted for the SDC. (The Workshop has since been held).

It was further recommended that the responsible Ministry must implement effective measures to ensure that the SDC adheres, at all times, to the Government Procurement Guidelines when procuring goods, works and services.

#### INTRODUCTION

On the 24<sup>th</sup> May 2005, the Office of the Contractor-General wrote<sup>2</sup> to the Executive Director of the Social Development Commission indicating that the OC-G would be starting the process of monitoring their operations, specifically as they relate to the procurement of goods, works and services.

At the time of the OC-G's initial visit (26<sup>th</sup> August 2005), the Auditor General was also carrying out their functions at the SDC. In order to facilitate a smooth operation, a second date was set for 20<sup>th</sup> September 2005 to commence the OC-G's probe.

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<sup>1</sup> As per OCG's Director of Licence & Permits letter dated 20th May 2005

<sup>2</sup> Letter to SDC from OCG's DL&P, Item 104 of OCG's file No. 18.17.02

## TERMS OF REFERENCE

The terms of reference of the investigation were to:

- Determine the procurement practices of the SDC;
- Review contracts awarded for conformity to the Government's Procurement Guidelines;
- Make recommendations for appropriate actions.

## BACKGROUND

The SDC's core function is to facilitate the conditions necessary for citizens to participate in the planning, decision making, and actions that substantially improve their communities and quality of life.<sup>3</sup> This mandate is established by the Government of Jamaica's policy framework for social development as reflected in various Ministry Papers since 1993 (NPEP, LGR, and more recently, JASPEV and PSMP)<sup>4</sup>.

The SDC consists of five regions islandwide: Region 1 covers Kingston and St. Thomas; Region 2 covers St. Mary, St. Ann and Portland; Region 3 covers St. James, Hanover and Trelawny; Region 4 covers Clarendon, Manchester and St. Elizabeth; and Region 5 covers St. Catherine.

### **Social Development Process<sup>5</sup>**

The work of the Commission revolves around three main themes:

#### **1. Citizen Empowerment.**

This relates to sensitizing, mobilizing, organizing and empowering citizens to use their collective resources, knowledge and expertise for development.

#### **2. Participation of Citizens**

This relates to the provision of opportunities for participation and collaboration, which is the basis for citizen involvement.

#### **3. Partnerships among citizens and local government agencies.**

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<sup>3</sup> Taken from SDC's policy context and mandate.

<sup>4</sup> NPEP- National Poverty Eradication Policy & Program (1994), LGR – Local Government Reform policy (1993, 2003), JASPEV – Jamaica Social Policy Evaluation (2002), PSMP – Public Sector Modernization Program (2002).

<sup>5</sup> Taken from item 101 of OCG's file No.18.17.02

This relates to networking and information sharing.

## **METHODOLOGY**

The methodology included the following:

1. A review of the general procedures employed for procurement of works, goods and services.
2. A review of the files covering the period July 2003 to August 2005, to determine transparency, fairness, and conformity to the procurement guidelines.

## **FINDINGS**

The SDC undertook procurement of various items of goods and services, during the period under review. The procurement included:

- Motor Vehicles/Bikes
- Office Equipment and Furniture
- Office Supplies
- Computer Equipment and Supplies
- Motor Vehicle Insurances

The SDC records indicate the establishment of a Procurement Committee.<sup>6</sup> However, it was inactive for a prolonged period of time<sup>7</sup>. Two Meetings were held in September 2000 and another in September 2003. On 11<sup>th</sup> September 2003, an interoffice memo was sent by the Director of Finance & Administration to convene a meeting to establish a new Procurement Committee. Apart from these meetings, there was no further evidence of any procurement meetings.<sup>8</sup>

The files examined were dated from 2003 to present. Discussions with the management team at the Social Development Commission's headquarters revealed that the GOJ procurement guidelines have been breached, in some instances but not all.

The Commission, operating without a Board of Directors and a Procurement Committee for such a lengthy period was of some concern. It is our opinion that this indicates some lack of accountability and transparency within the organization's procurement process.

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<sup>6</sup> Items 87,88 and 89 of OCG's file No. 18.17.02

<sup>7</sup> As discussed with SDC's Director of Administration & Finance (DA&F), this would have been from 2002 to mid-2005. An email was sent 10<sup>th</sup> April, 2006 to SDC's DA & F in retrieving specific dates.

<sup>8</sup> Letter from SDC to OCG dated 25<sup>th</sup> October, 2005- response # 1. Taken from item # 81 of OCG's File No. 18.17.02

The question must then be asked, how decisions were made relating to procurement and policy matters.

The OC-G's findings indicate that SDC has not always operated in accordance with the GOJ Procurement Handbook (See breakdown of each area examined below).

### **Computer Equipment, Software Services and Supplies**

Records indicated that Computer units were purchased utilizing the Limited Tender method. The majority of invoices on file were directed to Ultimate Jamaica Limited, an NCC registered company<sup>9</sup>, owned and operated by one Trevor Reynolds, located at the Domes (Hagley Park Road), the same locale as the MLGCD&S.

Other invoices indicated that transactions between the SDC and other agencies were typical of those between the SDC, and Ultimate Jamaica Ltd. The SDC seemed to have followed guidelines related to confirming payouts on invoices by the use of memoranda. However, this does not satisfy transparency requirements in the procurement process.

### **Motor Vehicle Insurance**

The Tender Report and file examined indicated that the agency had followed GOJ guidelines for procurement of services.

### **Office Equipment and Furniture**

The Limited Tender method was used for two transactions, each with a value of approximately J\$18,000.00. The guidelines were complied with.

### **Motor Vehicles and Bike**

Two quotations, as opposed to the requisite minimum of three, appeared on file before the date the vehicle was purchased: one from Motor Sales and Service and the other from Toyota Jamaica. A possible reason for this is that the Mitsubishi Pajero and the Toyota Prado are the common choices of most civil/public servants, and also for executives of governmental agencies. Further, these units are usually within the US\$25,000.00 CIF value, thus attracting a maximum of 20% to a minimum of 5% duty fees. These vehicles are within the same capacities and, quite possibly, no other dealership could provide similar specifications within the same price range.

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<sup>9</sup> Records indicate that Ultimate Jamaica Limited (UJL) had only received NCC's approval in September 2005 as a registered supplier in the Good and Services category. The records of OC-G's Technical Service Department indicate that UJL was previously registered with the Ministry of Finance prior to their NCC listing.

The file indicates the import licence for one motorcycle. The supplier of this unit was Motor Bikes Sales Services located at 114 Hagley Park Road, Kingston 11. The unit was purchased in September 2003, at a final cost of J\$119,600.00. GOJ procurement guidelines were not utilized.

### **Requisitions for Stationery and Other Supplies**

In regard to this file, the documents produced date back from May 2004 to present. This file consists of all the paper requirements and stationery that the various regions would require to properly and effectively manage their offices.

There is little evidence of the use of the Limited Tender method of procurement<sup>10</sup>. The most frequently purchased items on this file relate to ink cartridges. These purchase orders/invoices are usually stapled to memos requesting payment for the supplier(s). For the Financial years 2003/2004 and 2004/2005, the average monthly stationery expenditure was J\$12,516.00, and J\$13,546.30, respectively. These figures<sup>11</sup> account for all 15 locations island wide.

### **Perusal of Board Minutes**

The Board members were appointed on 11<sup>th</sup> April 2005. They are Rev. Garnett Roper, Messrs. Lee Townsend, Paul Burke, Daniel Wilson, and Robert Bryan, Mrs. Nelly Molloy, Ms. Verica Bennett, Senator Prudence Kidd-Deans, Ms. Patricia Balls and Dr. Jaslin Salmon.

Inspection of the Minutes indicates that regular Board Meetings were not held up to May 2005. However, frequent meetings have been held since May 2005. The first meeting (May 2005) focused on acquainting the new board members with the operations of the SDC. At the June 2005 Board meeting, the Chairman, Dr. Winston Davidson, resigned because “a precondition to continue as chairman was that the SDC debts be paid off”<sup>12</sup>.

At the time it was observed that the SDC had a J\$47 million deficit, payable to the Inland Revenue Department. The \$47 million in question refers to outstanding statutory deductions. The amount outstanding as at 31<sup>st</sup> March 2005, is broken down as follows:

PAYE	-	\$30,275,422.09
EDT	-	\$403,181.49
NHT	-	\$7,078,854.55
NIS	-	\$9,629,189.64

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<sup>10</sup> Limited Tender = Three Quote System

<sup>11</sup> SDC's General Ledger listing for stationeries during 2003-2005. See documents on OC-G's file No. 18.17.02

<sup>12</sup> See page 2 of 1st June 2005 Meeting of The Social Development Committee Board of Directors (File No. 18.17.02).

The SDC was advised, at a meeting of the Public Accounts Committee on 21<sup>st</sup> February 2006, that the Ministry of Finance would accommodate the payment of this figure in the 2005/6 Supplementary Budget.

## **CONCLUSION**

The evidence, examined by the OC-G, did not reveal that any of the commission's officers personally benefited from the lack of adherence to the GOJ Procurement Guidelines. However, with the absence of a functioning Procurement Committee, it appears that procurement of goods was done without guidance, and left to the discretion of the persons involved.

## **RECOMMENDATIONS**

As a result of our findings, we make the following recommendations:

1. A Procurement workshop should be scheduled with the SDC.<sup>13</sup> This should further clarify what is expected in the procurement process, and the consequences of non-compliance.
2. The SDC should be revisited within six months of this final report to verify whether the workshop was beneficial to the management team.
3. Where limited tenders are concerned, steps should be taken to ensure that the Government Procurement Guidelines are followed, regardless of the purchase price of any item.
4. Above all, the responsible Ministry must implement effective measures to ensure that the SDC adheres, at all times, to the Government Procurement Guidelines when procuring goods, works and services.

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<sup>13</sup>On 9th February, 2006 the OCG conducted a Procurement Workshop for the SDC. This should further clarify the procedures for awarding contracts for works, goods, and services in a transparent and fair manner.