

8.**EDUCATION -
SCHOOL BOOK BUREAU****BACKGROUND**

8.1 The School Book Bureau (SBB) of the Department of Education is responsible for the ordering, financial administration, storing and distribution of Authorized Learning Resources (Learning Resources) approved by the Programs Division of the Department of Education for use in the public school system. Authorized Learning Resources consist of a variety of materials including text books, posters, maps, software, audio cassettes, videos, teacher guides and professional development resources.

8.2 Learning resources receive an evaluation for bias by the Programs Division of the Department before they are permitted for use within the school system. Additions or removals of learning materials from the Learning Resources list are approved by the Programs Division after undergoing an additional curriculum evaluation process. There are approximately 5,000 learning resources currently on the list.

8.3 Nova Scotia is divided into six Regional School Boards (RSBs) and one Provincial Acadian/Francophone Board. In 1999-2000 there were 466 schools in the Province with a student population of 158,205. In addition, there are private schools, schools on native reserves and learning centres within health care facilities.

8.4 Funding is provided within the Department's budget for the purchase of learning resources to a predetermined maximum referred to as the Learning Resource Credit. The Credit amounted to \$7.6 million for the 2000-01 fiscal year. The Book Bureau oversees the financial administration of the Credit. Most of this funding is allocated to Regional School Boards with a small portion, approximately \$95,000, provided to native schools, the IWK-Grace Health Centre and others. As of April 2000 the Credit is no longer available to private schools. School boards, allocate the Credit to individual schools within their jurisdictions.

8.5 Use of the Credit is regulated in several respects. For the 2000-01 fiscal year, up to 50% of the Credit was available to be used under the Directed Purchasing Program. This Program is described more fully in paragraph 8.15. The Programs Division manages the selection process for learning resources and the Book Bureau oversees the distribution and financial administration of the directed purchases. The remaining Credit is used by school boards and others to purchase learning resources from the Learning Resources List. Up to 5% of the Credit can be used to purchase material not on the List.

8.6 The Book Bureau also orders learning resources for parents, private schools and others. There is no markup on these learning resources. The Department estimates that purchases of this type would be approximately \$300,000 annually. Customers pay by cash or cheque when placing orders. According to the Education Act, shipping and handling charges are incurred by the customer.

8.7 The Book Bureau processes approximately 300,000 learning resource items and 1400 guide orders through its warehouse operations annually which requires approximately 30 to 50 major distributions to schools throughout the Province. The Bureau employs six full-time personnel plus

a manager responsible for day-to-day operations. The manager reports to the Director of Financial Management at the Department of Education. The Book Bureau is located at 10 Acadia Street in Dartmouth.

8.8 Total net expenditures by the Department for learning resources on behalf of Regional School Boards and others during 2000-01 were approximately \$7.3 million. Department management informed us that additional spending by Regional School Boards for learning resources in excess of this amount from other funding sources would not be significant. The Book Bureau incurred operating expenditures of \$394,189 during the same period. Financial highlights for the Bureau for the last three fiscal years are detailed in Exhibit 8.1.

RESULTS IN BRIEF

8.9 The following are the principal observations from our audit.

- The Department indicated, based on a survey of suppliers, that the Bureau receives a purchase discount because of bulk ordering and shipping to one location.
- The Department recently initiated a program of directed purchasing for certain learning resources. There is evidence that this program has achieved additional savings by increasing bulk purchasing. Extended use of this method of procurement, where appropriate, should be explored by the Department.
- The procurement of learning resources should comply with the Government Procurement Policy or be supported by appropriate exemption documentation. The Department was unable to provide documentation supporting an exemption.
- The benefits expected from initiatives to improve operational effectiveness and efficiency, such as the new on-line ordering system now being implemented by the Bureau, should be quantified where applicable so that actual results can be evaluated against original expectations.
- Operational accountability and performance could be enhanced through the standard reporting of performance indicators and operational targets.
- We reviewed and tested the systems and controls over the processing of cheques and cash and the ordering, receiving, storing and shipping of learning resources and found no significant weaknesses. Policies and procedures should be documented where appropriate.

AUDIT SCOPE

8.10 The objectives of this assignment were to:

- assess systems and practices at the Bureau which provide for administration and accountability, and due regard for economy and efficiency;
- document, assess and test the systems and controls over the receipt, deposit and recording of proceeds from sales;

- document, assess and test the systems and controls over the ordering, receiving, storing and distribution of learning resources including the administration of the learning resource credit allocation; and
- assess policies, procedures and controls for the procurement of learning resources to determine whether they provide for due regard for economy and efficiency, and compliance with the Government Procurement Policy.

8.11 The following general criteria were used in our audit.

- There should be controls to ensure that all cash/cheques are immediately controlled to prevent loss/theft and are accurately and promptly recorded.
- There should be adequate controls over the ordering, storing, distribution and administration of learning resources.
- Procurement of learning resources should comply with the Government Procurement Policy.
- Performance should be monitored against targets and indicators identified in School Book Bureau objectives and plans.
- The School Book Bureau should establish, communicate and follow written policies and procedures for operational control.
- Alternate forms of service delivery and procurement should be investigated to ensure due regard for economy and efficiency in the ordering, storing, distribution and administration of learning resources.

8.12 Our approach consisted of interviews with Department and School Book Bureau staff and examination of planning, accountability, policies and procedures and other relevant documents. We reviewed the system of control over cash and cheque transactions and credit allocation orders and tested a small sample during the 2000-01 fiscal year to validate our understanding of system controls.

8.13 We reviewed the procurement process for learning resources and tested a small sample of transactions. However we did not examine the system for evaluating and approving additions and deletions to the Authorized Learning Resource list as part of this audit.

PRINCIPAL FINDINGS

Learning Resource Procurement

8.14 *Background* - Historically, the Authorized Learning Resources list may have contained several textbooks or other learning resources for a particular educational program. This approach provided school boards and classroom teachers with a degree of choice and flexibility in the selection of learning resources for students.

8.15 *Directed Purchasing Policy* - In 1999-2000, the Department initiated a new policy of directed purchasing for certain learning resources. The policy involves the identification and purchase by the Department's Programs Division of common learning resources for each student enrolled in a specific course or grade level. This initiative is funded by the allocation of up to 50% of the Learning Resource Credit. The Programs Division manages the selection process and the Book Bureau oversees the distribution and financial administration of the directed purchase. This

is a departure from historical practices where all expenditures from the Learning Resource Credit were controlled by the Regional School Boards.

8.16 The new policy was introduced for several reasons including the desire to achieve greater consistency in the resources used in teaching a curriculum, equal access to new learning resources throughout the Province, and to take advantage of savings through directed purchasing.

8.17 The Program Division identifies priorities for curriculum development and evaluates suitability for directed purchasing against established criteria. Department management informed us that not all courses and subjects are appropriate for directed purchasing. The directed purchasing policy has been targeted for priority areas such as Math, Science and Literacy which are mandatory subjects for all schools in the Province. Non-core programs are not eligible for directed purchasing because of small enrolments and non-standard program content. Learning resources procured through directed purchasing are reviewed by both a group of teacher representatives and a selection committee established by the Department's curriculum development professional staff. Each proposal is evaluated against a detailed list of criteria established by the Department.

8.18 We examined the procurement of grades 9 and 10 science text books under the directed purchasing policy. Based on price and demand information provided by management, the price of the textbook under directed purchasing was approximately 21% less than the average list price available previously, resulting in estimated savings of \$265,000. The savings appear attributable to volume/bulk buying directed at a single supplier. Recently the Department entered into a joint procurement of math textbooks with the Atlantic Provinces Education Foundation. We understand that significant savings were realized from this initiative as well.

8.19 Although we recognize that directed purchasing may not be appropriate in all instances, we encourage the Department to continue to seek opportunities for savings through directed purchase arrangements.

8.20 *Compliance with the Government Procurement Policy* - Department management informed us that learning resource purchases by the Book Bureau are exempt from the Government Procurement Policy. However, the Department was not able to provide documentation supporting an exemption.

8.21 We have recommended that the Department obtain documentation supporting the learning resources exemption from the Procurement Policy.

8.22 We reviewed the procurement process used for the directed purchasing of grades 9 and 10 science textbooks. Although the process used was competitive in nature, the procurement was not publically tendered and not posted on the electronic public bid notice system as required by the Policy. We have recommended that Department management ensure the directed purchasing process complies with the Policy. Department management informed us that procedural changes will be made to ensure compliance with the Government Procurement Policy for future directed purchase transactions.

Operational Accountability and Performance

8.23 *Operations monitoring and reporting* - Annual business plans and monthly operational reports for the Book Bureau are prepared by the manager and submitted to the Director of Financial Management of the Department of Education for approval.

8.24 The business plans and operational reports could be enhanced through the standard reporting of performance indicators and operational targets. The monthly operational reports contain detailed

information on various aspects of Book Bureau operations but activities are not compared to prior year or expected levels of activity. We have recommended that performance indicators and operational targets be documented and included in the reporting to Department management.

8.25 We note that in 2000 the manager of the Book Bureau conducted an interprovincial survey of procurement practices for learning resources. Six provinces responded to the survey which provided information against which to benchmark Nova Scotia operations. Highlights of the survey responses are provided in Exhibit 8.2.

8.26 The manager of the Bureau also conducted a survey to gather information on the financial impact of ordering and shipping to one location and the policies and procedures of publishers. A summary of the survey respondents compiled by the manager indicate that cost savings are achieved through both bulk purchasing and shipping to one location. Management indicated that the survey was sent to publishers in March of 1999 with approximately 75 publishers responding.

8.27 *Operational improvement initiatives* - Management informed us that several new initiatives are underway to improve the effectiveness and efficiency of Book Bureau operations. The most significant of these was the development of an electronic on-line ordering system which was implemented in March 2001 at a cost of \$76,000.

8.28 Although the new system promises increased efficiency and effectiveness for the Bureau's operations, at the time of writing this Report, management had not completed the process of quantifying the benefits and results expected from the system. Management has indicated that they plan to monitor user satisfaction through an Evaluation Framework Survey used during the pilot project.

8.29 We have recommended that management quantify expected benefits and outcomes from new operational initiatives, where possible, and implement an evaluation process to help ensure expected benefits are achieved.

Systems and Controls

8.30 We reviewed and tested the control systems for the receipt, recording and deposit of cheques and cash and the ordering, receiving, storing and shipping of learning resources. We found no significant weaknesses during our audit although some system policies and procedures are not documented in the Department of Education's Management Manual 211. We have recommended that all significant systems, policies and procedures be documented.

CONCLUDING REMARKS

8.31 Although expenditures of the School Book Bureau are quite low in relation to total Department spending, the Bureau plays an important role in ensuring that learning resources are provided to Nova Scotia public schools in a timely and efficient manner. Establishing and reporting performance indicators and operational targets should help to further improve the effectiveness and efficiency of Bureau operations.

8.32 Significant cost savings are achieved through bulk purchasing of learning resources and shipping to one location. Early indications are that initiatives such as the directed purchasing policy and joint purchasing through the Atlantic Provinces Education Foundation should continue to be explored and evaluated, where suitable.

Exhibit 8.1

SCHOOL BOOK BUREAU ANNUAL OPERATING/LEARNING RESOURCE EXPENDITURES			
	2000-01	1999-2000	1998-99
Expenditures on Learning Resources			
Directed Purchasing	\$ 2,926,643	\$ 1,050,907	\$ -
School Board Purchases	4,587,030	6,871,472	6,710,981
Other Educational Organizations	95,128	181,844	180,327
Subtotal	7,608,801	8,104,223	6,891,308
Less: Recoveries From Third Parties, School Boards and Others	(264,638)	(318,555)	(303,689)
Net Expenditure on Learning Resources	\$ 7,344,163	\$ 7,785,668	\$ 6,587,619
School Book Bureau Operating Expenditures			
Expenditures of the Department of Education (Note 1)	\$ 340,473	\$ 369,462	\$ 396,837
Expenditures of the Department of Transportation and Public Works (Note 2)	53,716	53,716	53,716
Total Operating Expenditures	\$ 394,189	\$ 423,178	\$ 450,553
<i>Note 1 - Operating expenditures consist primarily of salaries, equipment, postage and printing costs.</i>			
<i>Note 2 - Estimated annual average expenditures by Department of Transportation and Public Works for building operation and maintenance.</i>			

Exhibit 8.2

<p style="text-align: center;">SCHOOL BOOK BUREAU</p> <p style="text-align: center;">RESULTS FROM LEARNING RESOURCE DISTRIBUTION SURVEY OF</p> <p style="text-align: center;">OTHER JURISDICTIONS (UNAUDITED)</p>							
Question	Nova Scotia	British Columbia	Alberta	Manitoba	Quebec	Ontario	New Brunswick
Who distributes learning resources in your province?	Book Bureau	Publishers	Book Bureau	Book Bureau	Publishers	Private Sector	Book Bureau
Do you have a credit allocation system in place?	Yes	No	Yes	Did not respond	Responded n/a	No	Yes
Who is responsible to ensure that schools/boards order the authorized learning resource?	Department and bureau	No requirement List is not prescriptive	School Boards	Did not respond	Responded n/a	Ministry responsible for funding	Department and bureau
Do you receive a discount for ordering in bulk?	Yes - depends on publisher on average 15%-20%	Responded n/a	Yes - 5% - 17%	Did not respond	Responded n/a	Did not respond	Yes - 15% - 20% usually education and warehouse discount
What is the average amount per student in learning resource allocation?	\$50.36	Responded n/a	\$9.60 - Schools pay 75% and 25% charged against credit allocation	Did not respond	Responded n/a	\$75 elementary and \$100 secondary	\$31.00