

DATE: January 27, 2022
TO: Algonquin College Leadership Team
Cost Centre Managers
Business Administrators and Budget Officers
FROM: Gordon Warner, Associate Director, Strategic Procurement
SUBJECT: Global Supply-chain Challenges

Follow-up to [October 26, 2021 memo](#) regarding Global Supply-Chain Challenges.

The global supply-chain continues to experience immense pressure because of stresses caused by COVID-19 and related transportation issues. Consumers and businesses alike are finding it more difficult to get the products they want as quickly as they did in the past. The most trying part about dealing with a global economic situation like this is that almost every type of product in every type of market is feeling the effects of product shortages and delays.

Some of the causes of the current supply-chain delay:

1. Factory shutdowns followed by high demand,
2. Lack of workforce and skilled labor,
3. Limited raw materials causing manufacturing delays, and
4. Transportation costs and distribution challenges (port backlogs, crude oil price increases, shipping delays).
5. Trucker vaccine mandate requiring all truck drivers crossing the Canada-US border to be fully vaccinated as of January 15, 2022.

Due to these unprecedented market conditions, we feel it is necessary to provide this update about the current state of the global supply-chain and the potential impacts to our operations. We are sharing these updates with you in the hopes that they will assist you in making important procurement decisions. We recommend you review any pending procurement requests or projects and prioritize critical needs with an added buffer for extended lead times to secure products and services prior to fiscal year end.

As the risk increases that products and services may not be received prior to the College's March 31st fiscal year-end, we wanted to remind you of potential financial impacts if goods or services are not received (on campus) by March 31, 2022:

- a) Goods or services that are being paid for out of 2021-22 College budgeted funds (either operational or capital) must be received by March 31, 2022 to be expensed in the current year. Any goods or services that are not received by that date will be paid for out of 2022-23 budgeted funds, thereby reducing your available budget for 2022-23 activities.



- b) Goods or services that are being paid for out of 2021-22 grant funds must be received by the funding agreement project end-date to be claimed against the grant funds. Any goods or services that are not received by the project end date (and, if the agreement so stipulates, also paid for by that date), will not be eligible to be claimed against grant funding and will therefore be charged to your 2022-23 operational budget, thus reducing your available budget for 2022-23 activities.

At this time, we have not received notice from the Province to extend grant project end dates or loosen the requirement for goods/services to be received by the project end date, because of the supply-chain issues. If you anticipate delays beyond your project end date, communication should be made to the grant provider to discuss options.

Goods or services will not be recorded in the 2021-22 fiscal year general ledger if they are not received by March 31, 2022. If grant providers explicitly permit grant funds to be allocated to goods or services purchased but not received by that date, the amount of the purchased items may be claimed on the grant report as an expenditure but will not be recorded in the College's general ledger until receipt.

While Procurement does work closely with our vendor-partners to optimize our purchases, negotiate pricing, and manage logistics to the best of our ability, changes and increases are happening so rapidly, and without notice that we are unable to control these issues to the extent that we have in the past.

In response to these issues, budget holders will be allowed to submit a contingency request in 2022-23 for goods delayed due to supply-chain challenges. As noted above, goods received by March 31, 2022 will be charged to 2021-22 operational budgets. For goods ordered by the year-end processing date of February 11, 2022 but received after March 31, 2022, due to supply-chain issues, the budget holder will be able to request contingency funding to cover the cost of these purchases in 2022-23 provided the following criteria is met:

- Contingencies will only be considered for the purchase of goods. Services will be excluded.
- The contingency budget for this purpose is a fixed amount. Contingency requests will be subject to budget availability.
- If the purchase of goods is tied to an external funding source, such as a Ministry grant, or contract funding, your purchase will not be eligible for contingency funding through the College, and you should consult your funder to determine if the associated revenue can be deferred to the 2022-23 fiscal year. If the revenue cannot be recognized in 2022-23, the expenses should not be incurred. If the funder agrees to transfer the funding to 2022-23, documented contract-compliant funder approval will be needed.
- The minimum dollar value to submit a contingency request is \$20,000.
- All contingency requests due to supply-chain issues MUST provide adequate back-up including:
 - The Workday purchase order number. Only purchase orders issued on or before February 11, 2022, in alignment with the communicated year-end cut-off dates will be eligible for contingency funding.



- Provide a copy of the invoice and receipt of the goods (must have been received after March 31, 2022).
- Provide Workday-based financial reporting backup indicating where budget savings were achieved in 2021-22 as a result of not receiving the goods before March 31, 2022 (cost centre and spend category details).
- All contingency requests related to supply-chain issues should be submitted only when the goods have been received and must be submitted to Financial Services by September 30, 2022 using the existing General Contingency Request process.

This use of contingency funding is a one-time event as a result of supply-chain issues. The supply-chain challenges will continue to be monitored by Procurement. Any questions related to the contingency process should be directed to financialservices@algonquincollege.com.

We appreciate your patience and collaboration as we work through these challenges together.

If you have questions, please do not hesitate to send an email to purchasing@algonquincollege.com.

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