



STAFF REPORT INFORMATION ONLY

2007 Annual Report on Sole Source Purchasing Activity

Date:	April 1, 2008
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2008\Internal Services\pmmd\gm08004pmmd (AFS#6528)

SUMMARY

This report informs Government Management Committee on sole source purchasing that exceeded the Divisional Purchase Order (DPO) limit of \$7,500.00 and were not previously reported to Government Management Committee. Staff will continue to monitor sole source purchases with divisions to keep them to a minimum and where possible use the formal competitive process to avoid purchasing through Sole Source.

Financial Impact

There are no financial implications to the City of Toronto as a result of this report.

DECISION HISTORY

The Auditor General in his recommendations from Report No. 1, Clause 8 of the Audit Committee, as adopted by the Council of the City of Toronto at its meeting held on April 14, 15 and 16, 2003 regarding a review of the City's procurement process stated in recommendation 30(ii) that:

30. The Chief Financial Officer and Treasurer:

(ii) report annually to the Administration Committee outlining, by department:

- all single source purchases exceeding the Departmental Purchase Order limit and reasons therefore;

- *percentage of purchase orders processed through the Purchasing Division using single source as justification;*
- *all instances where purchase orders have been issued after the fact.*

City Council at the meeting on July 25th, 26th, 27th, 2006 requested that the City Manager and Deputy City Manager and Chief Financial Officer to report on the process of sole sourcing and checks and balances that are in place to ensure fairness and recommend any changes to the City's Purchasing Policies to ensure the City obtains the best price for goods and services while encouraging competition in the marketplace.

This consolidated report provides the information requested.

ISSUE BACKGROUND

The terms *single source* and *sole source* are often used interchangeably, however, in procurement terminology, they mean different things and the distinction is important.

Single source procurement is a non-competitive purchase where there is only one supplier of a product or service and as a result a competitive quotation process is simply not possible. Examples include utility purchases, TTC tokens and suppliers mandated by the Provincial government. Many of the single source situations are now covered by Schedule A of the new Financial Control By-law which lists goods and services that do not have to go through the competitive bid process.

Sole source procurement is a non-competitive purchase where there are other suppliers of the product or service available, however for reasons such as emergency, proprietary, matching existing equipment, health and safety concerns, time constraints, etc, the procurement is sourced to a specific vendor. Examples include software purchases, maintenance agreements for software, equipment, parts which if not followed void manufacturers warranty.

Staff have interpreted the recommendation of the Auditor General to mean that staff should report to Committee on *sole source* purchase situations only where competition is available but for reasons explained above the purchase was sole sourced without competition.

COMMENTS

Sole Source Process Checks and Balances

In accordance with the Procurement Process Policy approved by Council in July 2004, and the procedure for Sole Source or Non-Competitive Procurement, City staff must complete a Sole Source form each time they wish to purchase using this process. The form must provide a clear and detailed explanation as to why the purchase must be made through this procurement process. Each form is sent to Purchasing and Materials

Management (PMMD) for review before forwarding to the Division Head for final approval. Once reviewed by PMMD, the Sole Source form is then signed by the Section Head and the Division Head. PMMD will not create a formal purchase document (i.e. Purchase Order or Blanket Contract) until the signed original Sole Source form is received together with a signed and authorized Requisition form. This strict adherence to the procedures ensures that Sole Source purchases have the support of the Division Head before processing the purchase.

During the PMMD review process, PMMD:

- ensures detailed explanation is provided for the Sole Source purchase;
- ensures sole sourcing is the correct purchasing method to obtain the needed goods and/or services;
- suggests other methods to obtain the goods and/or services if sole sourcing is judged not to be the best method; and
- where possible, confirm price is in accordance with current market conditions and price offered to other customers.

On a quarterly basis, divisions are provided with statistical reports indicating the total number, total value and purchase category for their Sole Source purchases in order to review their Sole Source activity to keep it to a minimum.

Utilizing the checks and balances outlined above, PMMD ensures that there is adequate justification for each Sole Source purchase and the City is obtaining the best possible price for goods/services purchased on a Sole Source basis.

Sole Source Activity

There are generally six explanations as to why a sole sourcing request is made. Table 1 provides a breakdown of sole source purchasing by reason.

Table 1 2007 Sole Source Purchase Activity by Reason

Sole Source Purchase Category	Purchase Orders (PO)	Blanket Contract (BC)	Total POs & BCs	Total Value
Emergency	74	3	77	\$10,799,003.68
Proprietary	111	27	138	9,972,658.90
Utilities	1	0	1	60,000.00
Match Existing Equipment	47	8	55	4,537,364.03
Health & Safety Issues	34	4	38	3,195,878.63
Time Constraints	99	12	111	7,695,867.38
Other Reasons	46	35	81	5,055,257.23
Total	412	89	501	\$41,316,029.85

Note: "Other" category includes bridging contracts until a new contract is awarded in cases where there are delays in awarding a new contract, goods ordered and received without a Purchase Order issued (after the fact), specialized services that can only be provided by one supplier, confidential matters that cannot be advertised competitively,

cost sharing with other organizations, service provided by a supplier to ensure warranty is maintained, and no bids received for RFP/Rfq issued.

The types of goods and services being sole sourced include: technology and software, legal and professional advice, emergency repairs, training services, security services, publications and catering.

Table 2 – Comparison of Sole Source Activity 2006 vs 2007

Cluster	Total PO & Blanket Contracts		Change	Total Value of PO & Blanket Contracts		Change
	2006	2007		2006	2007	
Auditor General's Office	1	0	-100.00%	\$ 16,740	\$ 0	-100.00%
City Manager	13	20	53.85%	710,885	1,260,211	77.27%
A - Citizen Focused Services	179	153	-14.53%	13,314,492	8,553,359	-35.76%
B – Citizen Focused Services	237	231	-2.53%	21,787,362	24,192,234	11.04%
C – Internal Focused Service	87	81	-6.90%	7,636,370	6,723,616	-11.95%
Other Programs	37	16	-56.76%	3,357,890	586,608	-82.53%
Totals	554	501	-9.57%	\$46,823,742	\$41,316,029	-11.76%

The 2007 total of 501 Sole Source purchases represents a decrease of approximately 11.76% when compared to the 2006 total of 554 Sole Source purchases. This decrease can be attributed to PMMD's effort in providing corporate courses and training sessions on the purchasing process, consolidating purchases by issuing more Corporate contracts to City divisions and providing quarterly statistical reports to Divisions for review and monitoring in an effort to keep their Sole Source activity to a minimum. Attachment 1 provides a breakdown of 2006 and 2007 sole source activity by Division.

The following table is a comparison of the overall Purchase Orders and Blanket Contracts issued by PMMD for City divisions in 2007 with those that were sole sourced.

Table 3 Comparison of 2007 Sole Source Activity with Overall Purchasing Activity

	PO and BC in 2007	Sole Source PO and BC in 2007	% of PO/BC through Sole Source Process	Sole Source PO and BC Issued after the Fact*	Sole Source Percentage Issued after the Fact*
Total Number	2,158	501	23.22%	21	0.97%
Dollar Value	\$1,058,054,849	\$41,316,029	3.90%	\$657,542	0.06%

* In these cases, goods were received and a purchase order or blanket contract had to be issued for payment to be made.

The 2007 total number of Sole Source Purchase Orders and Blanket Contracts issued after the fact is 21 which represents a decrease from the 2006 total of 22 and the 2005 total of 46. This can be attributed to the use of:

Schedule A, which is a list of expenditures that do not require the issuance of a Purchase Order before payment can be made, such as Utilities, Federal, Provincial and Municipal mandated programs and TCC tokens;

- an informal bid process for calls under \$50,000; and
- regular analysis of procurement activity to identify Blanket Contract opportunities.

PMMD will continue to work with divisions to keep Sole Sources to a minimum and where possible using the formal competitive process to avoid purchasing through Sole Source.

CONTACT

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SIGNATURE

Cam Weldon
Treasurer

ATTACHMENTS

Attachment 1: Sole Source Activity by Division 2006 vs 2007

Attachment 1
2006/2007 Sole Source Activity Comparison by Division

Division	Total PO & Blanket Contracts issued		Change	Total Value of PO & Blanket Contracts issued		Change
	2006	2007		2006	2007	
Auditor General's Office	1	0	-1	\$ 16,740.00	\$ 0.00	\$ -16,740.00
City Manager - Shirley Hoy						
City's Manager's Office	7	0	-7	229,683.43	0.00	-229,683.43
Executive Management	0	1	1	0.00	65,600.00	65,600.00
Human Resources	6	13	7	481,202.45	941,271.16	460,068.71
Internal Audit	0	0	0	0.00	0.00	0.00
Strategic & Corporate Policy	0	4	4	0.00	233,160.60	233,160.60
Strategic Communications	0	2	2	0.00	20,180.00	20,180.00
Cluster A Deputy City Manager - Sue Corke						
3-1-1 Project Office	0	2	2	0.00	29,280.00	29,280.00
Affordable Housing Office	0	5	5	0.00	146,925.00	146,925.00
Children's Services	7	7	0	252,416.07	347,469.38	95,053.31
Court Services	0	2	2	0.00	67,239.80	67,239.80
Economic Development, Culture & Tourism	15	18	3	739,568.21	722,375.79	-17,192.42
Emergency Medical Services	18	22	4	1,649,664.32	1,847,840.41	198,176.09
Homes for the Aged	39	37	-2	1,544,105.74	1,048,932.67	-495,173.07
Parks, Forestry & Recreation	30	24	-6	4,252,647.95	2,221,499.84	-2,031,148.11
Public Health	51	18	-33	3,838,864.07	1,174,037.59	-2,664,826.48
Shelter, Support & Housing Administration	14	9	-5	892,598.40	574,047.42	-318,550.98
Social Development, Finance & Administration	2	5	3	26,000.00	140,792.50	114,792.50
Social Services	3	4	1	118,627.58	232,918.76	114,291.18
Cluster B Deputy City Manager - Richard Butts						
Building	0	5	5	0.00	237,354.68	237,354.68
City Planning	9	7	-2	534,718.10	258,650.00	-276,068.10
Clean & Beautiful Secretariat	0	1	1	0.00	23,300.00	23,300.00
Fire Services	40	10	-30	2,015,425.52	1,140,389.50	-875,036.02
Municipal Licensing & Standards	1	3	2	75,000.00	16,980.00	41,980.00

Division	Total PO & Blanket Contracts issued		Change	Total Value of PO & Blanket Contracts issued		Change
	2006	2007		2006	2007	
Policy, Planning, Finance & Administration	7	1	-6	599,456.78	11,413.00	-588,043.78
Solid Waste Management	22	22	0	2,512,085.77	2,267,387.06	-244,698.71
Technical Services	25	16	-9	1,996,397.31	754,460.45	-1,241,936.86
Toronto Water	92	119	27	11,010,162.97	10,799,983.02	-210,179.95
Transportation Services	40	47	7	3,021,354.16	8,582,317.03	5,560,962.87
Waterfront Secretariat	1	0	-1	22,762.00	0.00	-22,762.00
Cluster C Internal Services Deputy City Manager & Chief Financial Officer Joseph Pennachetti						
Accounting Services	4	5	1	463,400.00	192,500.00	-270,900.00
Chief Corporate Officer	0	0	0	0.00	0.00	0.00
Public Information & Creative Services	1	1	0	20,000.00	65,000.00	45,000.00
Corporate Finance	11	6	-5	1,241,502.60	399,175.75	-842,326.85
Facilities & Real Estate	25	19	-6	2,180,823.15	2,523,494.00	342,670.85
Finance & Administration	1	0	-1	26,000.00	0.00	-26,000.00
Financial Planning	5	1	-4	931,000.00	180,000.00	-751,000.00
Fleet Services	16	4	-12	1,101,186.23	132,693.33	-968,492.90
Information & Technology	17	25	8	1,126,725.02	1,473,063.62	346,338.60
Pension, Payroll & Employee Benefits	3	4	1	90,344.00	117,056.06	26,712.06
Purchasing & Materials Management	0	12	12	0.00	1,453,154.18	1,453,154.18
Revenue Services	3	3	0	317,389.68	167,479.22	-149,910.46
Special Projects	1	1	0	138,000.00	20,000.00	-118,000.00
Treasurer	0	0	0	0.00	0.00	0.00
Other:						
City Clerk's Office	22	5	-17	1,978,941.54	198,848.00	-1,780,093.54
City Council	0	3	3	0.00	38,475.12	38,475.12
Legal Services	15	6	-9	1,378,949.37	190,884.91	-1,188,064.46
Mayor Office	0	2	2	0.00	158,400.00	158,400.00
Total	554	501	-53	\$46,823,742.42	\$41,316,029.85	\$ -5,507,712.57