

## **Process for Non-Competitive Procurement (Sole Sourcing) Needs Improvement**

<b>Date:</b>	May 22, 2009
<b>To:</b>	Audit Committee
<b>From:</b>	Jeff Griffiths, Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

### **SUMMARY**

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The objective of this review was to determine whether sole source contracts complied with the City's Municipal Code and purchasing policies and procedures.

Our review identified opportunities for improvement in reporting and processing sole source purchases. Our recommendations will improve the current sole source procurement process and will assist management in minimizing non-competitive procurement.

A management response to each of the recommendations is attached to this report.

### **RECOMMENDATIONS**

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#### **The Auditor General recommends that:**

1. The Treasurer report annually to Government Management Committee a summary of all sole source purchases including divisional purchase orders, as well as sole source purchases reported to the Standing Committees and Council.
2. The Treasurer require that staff in the Purchasing and Materials Management Division report significant inappropriate sole source activity to senior divisional staff in order to address performance and training issues of divisional staff.
3. The Treasurer require that the reasons for all sole source purchases, including those purchases approved in Standing Committee and Council reports, are recorded in the financial information system on a consistent basis.

4. The Treasurer ensure policies and procedures to control and monitor the new \$50,000 limit on divisional purchase orders are finalized and issued to divisional staff as soon as possible. Such procedures should address the justification and documentation requirements for sole source purchases.
5. The Treasurer ensure that sole source procedures clearly state that solicitation of informal bids is not permitted. Similarly, for non emergency situations, vendors should not start work before purchase orders are approved and wherever possible, the first phase of multi-phased projects should undergo a competitive procurement process.
6. The Treasurer re-emphasize to divisional management the importance of identifying procurement requirements and ensure that this information is communicated to the Purchasing and Materials Management Division and City Legal on a timely basis. This process would allow for sufficient lead time, such that both the Purchasing and Materials Management Division and City Legal can schedule their respective resources to meet divisional timelines.
7. The Treasurer develop and communicate guidelines to assist divisional staff in identifying contractual relationships where the potential exists that the contractor could be deemed an employee by the Canada Revenue Agency.
8. The City Manager direct City divisions to report back to the Treasurer on any consulting/contractor arrangements that may pose a significant risk of being deemed City employees by the Canada Revenue Agency.

## **FINANCIAL IMPACT**

The implementation of recommendations in this report will improve compliance with City policies and procedures relating to non-competitive procurement. The extent of any potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

## **DECISION HISTORY**

This report provides the results of the Auditor General's review of non-competitive procurement. This review was conducted as part of the Auditor General's Annual Work Plan.

## **COMMENTS**

The Auditor General's report entitled "Process for Non-Competitive Procurement (Sole Sourcing) Needs Improvement", contains 8 recommendations and is attached as Appendix 1. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

## **CONTACT**

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## **SIGNATURE**

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Jeffrey Griffiths, Auditor General

08-PMM-01

## **ATTACHMENTS**

Appendix 1: Process for Non-Competitive Procurement (Sole Sourcing) Needs Improvement

Appendix 2: Management's Response to the Auditor General's Review of Process for Non-Competitive Procurement (Sole Sourcing) Needs Improvement