



STAFF REPORT INFORMATION ONLY

2008 Annual Report on Sole Source Purchasing Activity

Date:	March 27, 2009
To:	Government Management Committee
From:	Acting Treasurer
Wards:	All
Reference Number:	P:/2009/Internal Services/pmmd/gm09006pmmd (AFS 9727)

SUMMARY

This report informs the Government Management Committee on sole source purchasing that exceeds the Divisional Purchase Order (DPO) limit of \$50,000, and which were not previously reported to the Government Management Committee.

Financial Impact

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

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

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, Audit Committee Report 1, Clause 4(d), <http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/aucl004d.pdf> 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.

Sole Source Definition

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 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 and parts, which if not followed, voids the 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 and confirmation that a legal agreement has been executed, where required. 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 fourteen explanations as to why a sole source request is made.

Table 1 provides a breakdown of sole source purchasing by reason.

Table 1 - 2008 Sole Source Purchase Activity by Reason

Sole Source Purchase Reason	Purchase Orders (PO)	Blanket Contract (BC)	Total POs & BCs	Total Value
Emergency	28	5	33	\$ 9,072,900
Proprietary	36	20	56	8,728,724
Utilities	0	0	0	0
Match Existing Equipment	14	5	19	3,786,567
Health & Safety Issues	8	1	9	987,086
Time Constraints	25	10	35	8,029,016
Other Reasons	0	0	0	0
Bridging Contracts	4	17	21	2,956,412
Work Already Completed	1	0	1	55,877

Table 1 - 2008 Sole Source Purchase Activity by Reason

Sole Source Purchase Reason	Purchase Orders (PO)	Blanket Contract (BC)	Total POs & BCs	Total Value
Specialized Services	2	2	4	383,198
Confidential Matters	0	0	0	0
Cost Sharing	2	0	2	229,200
Ensure Warranty Maintenance	0	2	2	395,740
No Bids Received	0	0	0	0
Total	120	62	182	\$34,624,721

Examples of the type of goods and services being sole sourced include: technology (hardware and software) maintenance and support, specialized equipment/vehicle parts, repair and maintenance, emergency veterinary services, legal and professional services, emergency repairs to various city properties, and training services.

Table 2 compares the sole source activity between 2007 and 2008. The 2008 total of 182 Sole Source purchases represents a decrease of approximately 63.67% when compared to the 2007 total of 501 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, providing quarterly statistical reports to Divisions for review and monitoring in an effort to keep their Sole Source activity to a minimum, and the increase in the DPO Limit from \$7,500 to \$50,000. Attachment 1 provides a breakdown of 2007 and 2008 sole source activity by Division.

Table 2 – Comparison of Sole Source Activity 2007 vs 2008

Cluster	Total PO & Blanket Contracts		Change	Total Value of PO & Blanket Contracts		Change
	2007	2008		2007	2008	
Auditor General's Office	0	0	0.00%	\$ 0	\$ 0	0.00%
City Manager	20	7	-65.00%	1,260,211	716,328	-43.16%
A - Citizen Focused Services	153	53	-65.36%	8,553,359	8,507,539	-0.54%
B – Citizen Focused Services	231	79	-65.80%	24,192,234	16,793,914	-30.58%
C – Internal Focused Service	81	40	-50.62%	6,723,616	8,295,415	23.38%

Table 2 – Comparison of Sole Source Activity 2007 vs 2008

Cluster	Total PO & Blanket Contracts		Change	Total Value of PO & Blanket Contracts		Change
	2007	2008		2007	2008	
Other Programs	16	3	-81.25%	586,608	311,524	-46.89%
Totals	501	182	-63.67%	\$41,316,029	\$34,624,721	-16.20%

Table 3 is a comparison of the overall Purchase Orders and Blanket Contracts issued by PMMD for City divisions in 2008 with those that were sole sourced.

Table 3 - Comparison of 2008 Sole Source Activity with Overall Purchasing Activity

	PO and BC in 2008	Sole Source PO and BC in 2008	% 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	1,999	182	9.10%	1	0.05%
Dollar Value	\$1,900,327,760	\$34,624,721	1.82%	\$55,877	0.003%

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

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

CONTACT

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SIGNATURE

Giuliana Carbone
 Acting Treasurer

ATTACHMENT

Attachment 1: 2007/2008 Sole Source Activity Comparison by Division

Attachment 1
2007/2008 Sole Source Activity Comparison by Division

Division	Total PO & Blanket Contracts issued (#)		Change (#)	Total Value of PO & Blanket Contracts issued (\$)		Change (\$)
	2007	2008		2007	2008	
Auditor General's Office	0	0	0	0	0	0
City Manager - Joseph Pennachetti						
City's Manager's Office	0	5	5	0	402,712	402,712
Executive Management	1	0	-1	65,600	0	-65,600
Human Resources	13	2	-11	941,271	313,616	-627,655
Internal Audit	0	0	0	0	0	0
Strategic & Corporate Policy	4	0	-4	233,161	0	-233,161
Strategic Communications	2	0	-2	20,180	0	-20,180
Cluster A Deputy City Manager - Sue Corke						
3-1-1 Project Office	2	1	-1	29,280	93,480	64,200
Affordable Housing Office	5	1	-4	146,925	55,000	-91,925
Children's Services	7	4	-3	347,469	417,924	70,455
Court Services	2	0	-2	67,240	0	-67,240
Economic Development, Culture & Tourism	18	5	-13	722,376	292,791	-429,585
Emergency Medical Services	22	12	-10	1,847,840	1,654,484	-193,356
Long Term Care Homes & Services	37	11	-26	1,048,933	1,497,884	448,952
Parks, Forestry & Recreation	24	9	-15	2,221,500	3,240,766	1,019,266
Public Health	18	8	-10	1,174,038	995,210	-178,828
Shelter, Support & Housing Administration	9	1	-8	574,047	140,000	-434,047
Social Development,	5	0	-5	140,793	0	-140,793

**Attachment 1
2007/2008 Sole Source Activity Comparison by Division**

Division	Total PO & Blanket Contracts issued (#)		Change (#)	Total Value of PO & Blanket Contracts issued (\$)		Change (\$)
	2007	2008		2007	2008	
Finance & Administration						
Employment & Social Services	4	1	-3	232,919	120,000	-112,919
Cluster B Deputy City Manager - Richard Butts						
City Planning	7	2	-5	258,650	255,200	-3,450
Clean & Beautiful Secretariat	1	0	-1	23,300	0	-23,300
Fire Services	10	7	-3	1,140,390	1,239,438	99,049
Municipal Licensing & Standards	3	0	-3	116,980	0	-116,980
Policy, Planning, Finance & Administration	1	0	-1	11,413	0	-11,413
Solid Waste Management	22	9	-13	2,267,387	2,158,701	-108,686
Technical Services	16	11	-5	754,460	2,117,643	1,363,183
Toronto Building	5	3	-2	237,355	269,590	32,235
Toronto Environment Office	0	0	0	0	0	0
Toronto Water	119	38	-81	10,799,983	9,225,874	-1,574,109
Transportation Services	47	9	-38	8,582,317	1,527,469	-7,054,848
Waterfront Secretariat	0	0	0	0	0	0
Cluster C Internal Services Deputy City Manager & Chief Financial Officer Cam Weldon						
Accounting Services	5	0	-5	192,500	0	-192,500
Chief Corporate Officer	0	0	0	0	0	0
Public Information & Creative	1	0	-1	65,000	0	-65,000

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2007/2008 Sole Source Activity Comparison by Division**

Division	Total PO & Blanket Contracts issued (#)		Change (#)	Total Value of PO & Blanket Contracts issued (\$)		Change (\$)
	2007	2008		2007	2008	
Services						
Corporate Finance	6	1	-5	399,176	53,775	-345,401
Facilities & Real Estate	19	10	-9	2,523,494	2,768,225	244,731
Finance & Administration	0	0	0	0	0	0
Financial Planning	1	0	-1	180,000	0	-180,000
Fleet Services	4	5	1	132,693	884,188	751,495
Information & Technology	25	18	-7	1,473,064	3,705,377	2,232,313
Pension, Payroll & Employee Benefits	4	0	-4	117,056	0	-117,056
Purchasing & Materials Management	12	4	-8	1,453,154	618,850	-834,304
Revenue Services	3	1	-2	167,479	100,000	-67,479
Special Projects	1	1	0	20,000	165,000	145,000
Treasurer	0	0	0	0	0	0
Other:						
City Clerk's Office	5	1	-4	198,848	62,000	-136,848
City Council	3	0	-3	38,475	0	-38,475
Legal Services	6	2	-4	190,885	249,524	58,639
Mayor Office	2	0	-2	158,400	0	-158,400
Total	501	182	-319	\$41,316,030	\$34,624,721	-\$6,691,309