



STAFF REPORT ACTION REQUIRED

Purchasing Card Services Contract - Purchase Order No. 6016467 – Request for Extension

Date:	September 4, 2009
To:	Government Management Committee
From:	Acting Treasurer
Wards:	All
Reference Number:	P:\2009\Internal Services\acc\gm09012acc (AFS# 10415)

SUMMARY

This report requests that Council authorize the Acting Treasurer to approve a two-year extension of the MasterCard Purchasing Card Agreement with the National Bank of Canada for Purchasing Card (PCard) services (re: Purchase Order 6016467 resulting from RFP 9172-04-7024) as contemplated by clause 22.1 of the Agreement.

The National Bank of Canada has been asked to continue to provide Purchasing Card services subject to Council's approval.

RECOMMENDATIONS

The Acting Treasurer recommends that:

1. Council authorize the Acting Treasurer, in accordance with clause 22.1 of the MasterCard Purchasing Card Agreement, to approve a two-year contract extension to August 23, 2011 with the National Bank of Canada for Purchasing Card services (re: Purchase Order 6016467 resulting from RFP 9172- 04-7024) under the current terms and conditions of the Agreement; and,
2. The appropriate City officials be directed to take the necessary action to give effect thereto.

Financial Impact

There are no financial implications associated with the adoption of this report as there is no cost to the City to maintain this program. All fees associated with the National Bank of Canada's Purchasing Card program have been waived, including the annual maintenance fees, for the duration of the contract. The City also receives rebates from the PCard provider once a year, based on the value charged to the PCards used by the City. The rebate percentage increases based on the total dollar value processed through the cards.

Table 1, below, summarizes the number of PCard transactions and the value of those transactions since the launch of the program in June 2005, as well as the rebates received each year.

Table 1: Summary of PCard Transactions

YEAR	TRANSACTION VALUE \$	TRANSACTIONS #	REBATE \$
2005	340,085.56	1,651	1,054.26
2006	2,037,559.04	9,675	6,316.43
2007	3,438,379.85	20,224	10,658.97
2008	5,944,985.70	29,500	18,429.45
TOTAL	\$11,761,010.15	61,050	\$36,459.11

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

DECISION HISTORY

At its meeting held on April 14, 15 and 16, 2003, City Council adopted a number of recommendations from the Auditor General with respect to the City's procurement processes, including a recommendation to implement purchasing cards in City operations using a phased-in approach (re: Audit Committee Report 1, Clause 8 "Procurement Processes Review – City of Toronto"). To view this report on-line, please follow the hyperlink below:

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030414/au1rpt/cl008.pdf>

At its meeting held on July 20, 21 and 22, 2004, City Council authorized staff to negotiate and enter into a five year agreement with the National Bank of Canada for the provision and implementation of a Purchasing Card program (re: Administration Committee Report 5, Clause 6 "Provision and Implementation of a Purchasing Card Program – Request for Proposal No. 9172-04-7024"). To view this report on-line, please follow the hyperlink below:

<http://www.toronto.ca/legdocs/2004/agendas/council/cc040720/adm5rpt/cl006.pdf>

ISSUE BACKGROUND

In 2003, the Auditor General's Office recommended, and Council approved, a number of mechanisms to streamline the City's procurement processes including expediting the implementation of purchasing cards across City operations, using a phased-in approach. Purchasing cards are an effective means of expediting the acquisition of low dollar value purchases to meet divisional needs while significantly reducing the paperwork associated with purchase orders and invoices for thousands of small-dollar transactions, and making the payment of accounts more efficient and cost effective.

In 2004, following the issuance and awarding of Request for Proposal No. 9172-04-7024, the City entered into a five year agreement with the National Bank of Canada for a Purchasing Card program.

The PCards, issued by the National Bank of Canada, are special MasterCard credit cards with built in controls and authorization parameters established by the City to monitor compliance and prevent fraud or misuse. Built-in controls include spending limits (per transaction limits as well as monthly limits) and commodity-type blocks to prevent inappropriate purchases. These controls are enforced at the point of sale terminals when the cardholder makes a purchase.

PCards are issued to certain employees of the City as authorized by the Division Head and in accordance with the City's Financial Control and Purchasing Bylaws. All purchases are reviewed and monitored on a monthly basis to ensure that the use of the PCard is in compliance with City and Divisional policies. Periodic reviews and/or audits are also conducted by Accounting Services, Purchasing and Material Management and Internal Audit.

COMMENTS

The five-year contract for PCard Program services with the National Bank of Canada (NBC) expired on August 24, 2009. Clause 22.1 of the contract allows that the Agreement shall be renewed for additional minimum one (1) year terms unless terminated by either party.

Staff are recommending a two-year renewal of the current contract in order to allow for the continued assessment, evaluation and phased-in implementation of the program, and to facilitate the management and implementation of other key priorities over the next two years including competitive processes to select and transition to new contract agreements for banking and external audit services, as well as the implementation of new financial reporting standards for local governments.

As recommended by the Auditor General's Office, the PCard program is being implemented using a phased approach. The program was launched in June 2005 within two (2) City Divisions (City Clerks Office and Toronto Water). Since that time the

program has been expanded, on a gradual basis, to 27 divisions and 2 of the City's ABCs (TTC and Toronto Library).

Each implementation is managed as a separate project. Divisional needs are assessed and the PCard service is tailored to meet the needs of the participating Division within the parameters authorized by the Division Head and in alignment with corporate by-laws and policies. Divisional staff are fully trained on the use and management of cards prior to card issuance. In addition to the spending, commodity and authorization controls built into the cards themselves, participating Divisions are required to develop and implement internal control procedures to effectively oversee and manage the use of the cards and ensure compliance with corporate policies.

In order to maximize operational efficiencies as well as the buying and rebate power of the City, the intent is to phase-in the program to all or most of the City's 44 divisions and to interested ABCs. Given the diligence and time required to effectively manage the roll out of the PCard program to individual divisions, the recommended two-year contract extension will:

- ensure uninterrupted PCard service to participating City Divisions and ABCs;
- allow staff to continue with their analysis, evaluation and phased roll out of the PCard program to the remaining 17 Divisions;
- allow staff to consult with other ABCs to determine their interest and incorporate their requirements into the PCard service.

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SIGNATURE

Giuliana Carbone
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