

June 25, 2010

To: Chair and Members, Audit Committee

From: Joseph P. Pennachetti, City Manager

Re: **Agenda Item AU19.16 "2007 and 2008 Sole Source Activity up to \$500,000"**

At its meeting held on May 14, 2010 Audit Committee deferred consideration of the report (April 28, 2010) from the Treasurer titled "2007 and 2008 Sole Source Activity up to \$500,000" to its July 5, 2010 meeting in order to allow for discussion.

It has recently come to our attention that certain information pertaining to 2008 sole source purchases for the Ombudsman's Office was coded incorrectly, and as such inaccurately presented in the Treasurer's report. I have consulted with the Treasurer and the errors have been adjusted.

The following summarizes the errors identified:

- Of the twelve (12) 2008 sole source purchases for the Office of the Ombudsman listed on pages 135 and 136 of Attachment 3 of the Treasurer's report dated April 28, 2010:
 - Five (5) were not sole source purchases and should not have been coded as such;
 - The reason codes for seven (7) of the purchases was incorrectly entered as "Emergency"; the correct reason codes are:
 - "Time Constraint for four (4) of the purchases;
 - "Other Reason" for two (2) of the purchases [for one of the purchases previous research indicated that the supplier was the most cost-effective provider of the equipment; for the other purchase involving the services of an independent legal counsel, obtaining competitive bids was not part of the requirement to acquire legal advice]; and,
 - "Specialized Services" for one (1) of the purchases.

In order to correct the public report, please find attached the following revised pages reflecting accurate information on sole source purchases for the Ombudsman's Office:

- a) a revised page 5 of the staff report; and,
- b) a revised page 135 for Attachment 3 (page 136 has been deleted as a result of the corrections made to page 135).



Joseph P. Pennachetti
City Manager

Attachments:

- Revised Page 5 of the staff report
- Revised Page 135 of Attachment 3 of the staff report



Attachment 3 - 2008 Sole Source Divisional Purchase Orders (DPOs) Issued up to \$50,000 (exclusive of taxes)

2	Other Programs	Office Of The Integrity Commissioner	27-Oct-08	LECG Canada Limited	Emergency	\$39,471.88
3	Other Programs	Office Of The Integrity Commissioner	19-Nov-08	HB Global Advisors Corp	Emergency	\$5,000.00
3		OFFICE OF THE INTEGRITY COMMISSIONER Total				\$46,478.81
1	Other Programs	Office Of The Ombudsman	10-Dec-08	Canadian Hearing Society	Other Reason	\$1,120.00
2	Other Programs	Office Of The Ombudsman	30-Dec-08	Cavalluzzo, Hayes, Shilton, MacIntyre & Cornish	Other Reason	\$1,800.00
3	Other Programs	Office Of The Ombudsman	31-Dec-08	International Ombudsman Institute	Specialized Services	\$340.00
4	Other Programs	Office Of The Ombudsman	31-Dec-08	Stewart, Anne Marie	Time Constraint	\$7,300.00
5	Other Programs	Office Of The Ombudsman	31-Dec-08	The Working Group	Time Constraint	\$43,000.00
6	Other Programs	Office Of The Ombudsman	31-Dec-08	Las Cuatro Flechas/Four Arrows	Time Constraint	\$5,000.00
7	Other Programs	Office Of The Ombudsman	31-Dec-08	Dunsmore Law	Time Constraint	\$10,000.00
7		Office Of The Ombudsman Total				\$68,650.00
1,979		Grand Total				\$12,287,698.95

Table 1: Summary of Sole Source Purchasing Activity up to \$500,000
2007 & 2008

	2007		2008	
	#	\$	#	\$
DPOs (Issued by Divisions)	1,987	7,666,301	1,979	12,287,699
Purchase Orders and Blanket Contracts (Issued by PMMD)	<u>532</u>	<u>41,546,594</u>	<u>372</u>	<u>40,701,664</u>
Total Sole Source Purchases	<u>2,519</u>	<u>49,212,895</u>	<u>2,351</u>	<u>52,989,363</u>
Total Purchases for the Year		1,120,274,754		1,988,266,226
Sole Source Activity as a %age of Total Purchases Processed		4.39%		2.67%

As indicated by Table 1, sole source purchases within staff authority of up to \$500,000 represent under 5% of the City's total dollar value of purchases each year. PMMD works closely with Divisions and provides training where necessary to keep sole source purchases to a minimum. Divisions are also provided with quarterly reports on their sole source purchasing activity to assist them in keeping sole source purchases to a minimum. Utilizing a variety of checks and balances, 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.

ABC's Including Information on Sole Source Contracts as Part of Their Annual Reports

Following a review of the issue, staff advise that it is not appropriate to request ABCs to include information on sole source contracts in their annual report as this is specific information that is not normally included in an annual report, and inclusion of this information might detract from the overall messaging of the report.