



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED
with Confidential Attachment**

Procurement of 311 Toronto's Information Technology System – Lessons for Future Procurement Processes

Date:	June 13, 2012
To:	Audit Committee
From:	Auditor General
Wards:	All
Reason for Confidential Information:	This report is about litigation or potential litigation that affects the City or one of its agencies, boards, and commissions.
Reference Number:	

SUMMARY

The Auditor General's 2011 Audit Work Plan included a review of 311 Toronto operations. An audit report entitled "311 Toronto – Full Potential for Improving Customer Service Has Yet To Be Realized" was presented at the November 23, 2011 Audit Committee meeting.

When the 2011 audit was initiated there was no intention of conducting a review of the 311 procurement process. However, during the course of the 2011 audit, a number of issues pertaining to the initial procurement of an information technology (IT) solution for the 311 Contact Centre were identified. Rather than including these concerns in the 2011 report which focused on customer service and operational issues, it was determined that a separate report pertaining exclusively to the procurement process would be appropriate. The issues pertaining to the procurement process are the subject of this report.

Certain of our audit findings and recommendations are presented in a confidential attachment to this report. The report sections pertaining to the award of the initial IT contract contain confidential information. As a result, the relevant report sections and recommendations are presented in confidential Attachment 1 appended to this report. Our other audit findings and recommendations are detailed in Appendix 1 to this report.

Our audit findings and recommendations are presented as follows:

Appendix 1 – Audit findings and recommendations excluding those related to the award of the initial IT contract

Appendix 2 – Management responses to audit recommendations contained in Appendix 1

Attachment 1 – Confidential audit findings and recommendations pertaining to the award of the initial IT contract, and management responses to the audit recommendations contained in Attachment 1.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the Director, Purchasing and Materials Management Division, to review and enhance the existing Purchasing and Materials Management review process such that inaccurate or questionable information on purchase request documents is identified and addressed prior to approval of the purchase request documents.
2. City Council request the Director, Purchasing and Materials Management Division, to define in all pertinent purchasing policies and procedures that the purchase amount for contract increases and sole-source approvals refers to the gross cost to the City (excluding taxes), not net costs after deductions, refunds, or credits.
3. City Council request the City Manager, in consultation with the Director, Purchasing and Material Management Division, to take necessary steps to ensure that, where a contract service is not acquired under a fixed price agreement, the unit pricing, labour rates, and estimated labour hours are established prior to commencing the contract services, and the hours of contract services are tracked and documented.
4. City Council request the Director, Purchasing and Materials Management Division to take the necessary steps to ensure that divisions comply with the City purchasing policies regarding the timely submission of sole-source purchase requests for approval by the Purchasing and Materials Management Division.
5. City Council request the City Manager to forward the recommendations contained in the audit report entitled “Procurement of 311 Toronto’s Information Technology System – Lessons for Future Procurement Processes” to the City’s major Agencies, Boards, Commissions, and Corporations, for consideration in future procurement processes.
6. City Council adopt the recommendations contained in Attachment 1 – Confidential Information to this report.

7. City Council authorize the public release of audit recommendations and management responses contained in confidential Attachment 1 at the discretion of the City Solicitor in consultation with the City Manager.

Financial Impact

The recommendations in this report have no financial impact.

DECISION HISTORY

The Auditor General's 2011 Audit Work Plan included a review of 311 Toronto operations. An audit report entitled "311 Toronto – Full Potential for Improving Customer Service Has Yet To Be Realized" was presented at the November 23, 2011 Audit Committee meeting. The report is available at: <http://www.toronto.ca/audit/2011/311toronto-oct17.pdf>

The scope of our original 2011 review did not include a comprehensive review of 311 procurement practices. However, during the course of the 2011 review, we identified issues related to the acquisition of an IT solution for the 311 Contact Centre and the purchase of additional contract services between 2006 and 2009. Our findings pertaining to the IT procurement are provided in this report.

ISSUE BACKGROUND

The City achieved a significant milestone in improving customer service when it launched 311 Toronto in September 2009. Located in the former Metro Hall Council Chamber, 311 Toronto Contact Center provides the public with one easy-to-remember phone number to obtain non-emergency City services and information 24 hours a day, seven days a week.

With capital costs totalling \$36.3 million and five years of planning and development since 2004, the City has invested significant financial and human resources in establishing 311 Toronto. A significant portion of 311 Toronto's capital costs were for the procurement of an information technology solution for its Contact Centre.

COMMENTS

The issues identified in this report occurred during the development phase of 311 Toronto between 2006 and 2009. Although this audit was conducted a number of years after the implementation of 311, the "lessons learned" from this particular IT acquisition have relevance to future procurement processes.

In addition, while the issues identified in this report arose specifically from our review of the 311 IT procurement, the lessons from the review may be beneficial to future planning and undertaking of procurement processes by other City divisions, as well as the City's Agencies, Boards, Commissions and Corporations.

Appendix 1 contains audit findings and recommendations relating to the procurement of additional IT contract services subsequent to the initial acquisition.

Appendix 2 provides management responses to audit recommendations contained in Appendix 1.

Attachment 1 to this report contains confidential information pertaining to the initial award of an IT contract for the 311 Contact Centre. Management responses to audit recommendations in Attachment 1 are also included in the Attachment.

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SIGNATURE

Jeff Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Procurement of 311 Toronto's Information Technology System – Lessons for Future Procurement Processes

Appendix 2: Management's Response to the Auditor General's Review of Procurement of 311 Toronto's Information Technology System – Lessons for Future Procurement Processes

Attachment 1 – Confidential Information:
Procurement of 311 Toronto's Information Technology System – Lessons for Future Procurement Processes