

Obtaining the Best Value Through the Use of Vendor Rosters

Date: October 13, 2017

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

The City of Toronto purchases approximately \$1.8 billion in goods and services per year. Of this amount, about \$88 million (5 per cent) is made through its vendor rosters. This audit reviewed the management and oversight of the vendor rosters program, as well as whether this procurement alternative is delivering the best value to the City.

During the audit we observed that many aspects of the program were performed appropriately and consistently, including:

- Roles and responsibilities were clearly defined and documented
- PMMD was working with operating divisions and providing guidance where needed, and
- Purchasing activity was generally compliant in terms of scope, vendor selection, and staying within the \$500,000 per purchase limit.

This report includes eight recommendations to help provide better value by improving the roster design, strengthening oversight, and improving the efficiency and effectiveness of the program. Under the right circumstances vendor rosters is one of the City's more efficient procurement means available, and establishing a strong operating foundation will pave the way for more operating units to benefit from this program.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the Director, Purchasing and Materials Management Division, to:
 - a. Provide clear guidance on roster design. Unless there is an overriding consideration otherwise, vendor selection methods that prioritize cost should be used.

- b. Update the Buyer review process for rotational rosters, such as including verification of how a vendor was selected, and that prices charged match the original submissions made to the REOI.
2. City Council request the Director, Purchasing and Materials Management Division, to provide guidance in its Roster Procedure on the use of different evaluation criteria during the roster qualification process.
3. City Council request the Director, Purchasing and Materials Management Division, to ensure Buyers provide adequate oversight of the roster qualification process, including a review of the evaluation outcome and documenting the decision process and rationale for deviations from the terms in the call document.
4. City Council request Director, Purchasing and Materials Management Division (PMMD), to review current roster processes and make adjustments where necessary to ensure that controls developed in PMMD's Unbalanced Bidding procedure are also implemented in all applicable areas of roster activity.
5. City Council request the Director, Purchasing and Materials Management Division, to develop clear guidelines regarding contractor/subcontractor relationships within a roster, including the need for disclosure, responsibility for monitoring and analysis, and the resolution process when potential conflicts of interest are identified.
6. City Council request the Director, Purchasing and Materials Management Division, to review controls relating to rosters with unique circumstances such as the ones held by the Environment and Energy Division, and ensure that there is sufficient oversight over its purchasing activity, in particular the bid receipt and evaluation process.
7. City Council request the Director, Purchasing and Materials Management Division, to ensure that the required control processes as specified in its Roster Procedure are consistently implemented and that staff are appropriately following up on any issues identified. Where it is determined that a control is not practical or not working as intended, the Procedure should be reviewed and amended where needed.
8. City Council request the Director, Purchasing and Materials Management Division, to review the roster management objectives and information requirements to identify opportunities for improving efficiencies and maximizing the use of rosters by divisional staff, including a consideration of:
 - a. Developing a reporting process on the roster program's overall activities
 - b. Publishing and maintaining an accurate list of active rosters available to City staff
 - c. Simplifying input requirements for the roster Master List
 - d. Revising the quarterly reporting process.

FINANCIAL IMPACT

Implementation of the audit recommendations in this report, particularly to move towards vendor selection methods that prioritize cost, is expected to result in savings in future purchases. However, the exact amount of savings cannot be determined at this time.

DECISION HISTORY

The Auditor General's 2016 Audit Work Plan included a review of the management and oversight of vendor rosters. The Work Plan is available at:

<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-84582.pdf>

COMMENTS

The audit was based on roster activity taking place from 2014 to early 2017. Eight recommendations are made in this report.

We observed a number of rosters that aim to distribute their purchases approximately evenly to each qualified vendor on the roster. There is likely an opportunity for savings by transitioning some of them to a competitive or price-based vendor selection method.

We also found that the Purchasing and Materials Management Division (PMMD) can mitigate risks in certain areas by providing extra guidance, and maintaining stronger and more consistent oversight of operating divisions making the purchases.

Finally, we would like to express our thanks for the co-operation we received from PMMD staff during this audit.

The audit report entitled "Obtaining the Best Value Through the Use of Vendor Rosters", which also contains management's responses to our recommendations, is attached as Attachment 1.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Obtaining the Best Value Through the Use of Vendor Rosters