

**AUDIT
AT A GLANCE****WHY THIS AUDIT MATTERS**

The City currently purchases approximately \$88 million per year in goods and services through the Purchasing and Materials Management Division's (PMMD's) vendor rosters program. Rosters provide operating divisions with a quick and efficient means of procurement; however, it also delegates a number of processes from PMMD. Therefore, it is important to ensure that there is enough oversight to safeguard the integrity of the roster process.

BACKGROUND

A vendor roster is a list of sellers (suppliers, consultants, contractors, etc.) created by the City for a specific type of future purchase. By evaluating and pre-qualifying vendors upfront, the City saves time and resources by making future purchases under a simplified process.

This procurement option was introduced at the City around 2008.

BY THE NUMBERS

- 43 active rosters during the past three years
- Approximately \$88 million per year purchased through rosters
- \$5.7 million annual spending through the City's nine rotational rosters
- \$35 million annual spending in construction services rosters
- \$20 million spent through the natural gas roster over three years

Obtaining the Best Value Through the Use of Vendor Rosters**What we found**

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;
- Purchasing activity was generally compliant in terms of scope, vendor selection, and staying within the \$500,000 per purchase limit.

Several opportunities for improvement were identified, summarized below:

Rosters Should be Designed to Obtain the Best Value

- There are a number of rosters that use a rotational purchasing method. This means that they attempt to distribute their purchases evenly to each qualified vendor, in contrast with other rosters that use a competitive bidding system. This may cause the City to pay a higher price than it needs to, particularly when the prices vary widely between vendors.
- Specifying a roster size that is too small, or screening out potential vendors using an unnecessary amount of mandatory requirements, may cause qualified vendors to be excluded, reducing the overall quality of the City's vendor pool.

Oversight of Program Activity Needs to be Strengthened

- In early 2017, PMMD introduced steps to address the risk of unbalanced bidding for its purchases, particularly in construction. These steps are currently not being applied to roster purchases.
- There are currently no clear guidelines on managing contractor/subcontractor relationships in rosters. This may sometimes cause conflict of interest situations to go unnoticed or unresolved.
- Several of the control processes including periodic reviews, quarterly reports and keeping the roster inventory up to date were not being consistently performed.

Process Improvement

- The efficiency and effectiveness of the program can be improved by making various adjustments, including strengthening the reporting process, simplifying data input requirements, and making use of data already contained in the SAP financial system.
- PMMD can increase uptake of the program by maintaining an accurate list of active rosters and posting this information to the City's intranet.

How Recommendations will Benefit the City

Implementing the eight recommendations in this report will help provide better value by improving the roster design, strengthen oversight, and increase the efficiency and effectiveness of the program.