

**Management’s Response to the Auditor General’s Review of
City Stores: Maximize Operating Capacity to Be More Efficient**

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
1.	City Council request the City Manager to examine opportunities to further rationalize operations in both City and divisional stores in order to achieve corporate operating efficiencies.	X			The City Manager and the Divisions who operate stores, will conduct a rationalization review of the stores operations to ensure the stores are meeting operational and corporate operating efficiencies. Timeline: December 31, 2013.
2.	City Council request the City Manager to direct divisions to use City stores as much as possible for common materials regularly in stock at City stores.	X			The City Manager will issue a memorandum to all City Divisions directing the Divisions to use City Stores where possible. Timeline: December 31, 2012.

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3.	City Council request the City Manager, through the Shared Services review, to explore ways to maximize purchasing power and rationalize materials handling for items commonly purchased by the City, its Agencies and Corporations.	X			<p>The City Manager has initiated a shared service review of the Purchasing and Materials Management function between the City and its Agencies with an expected report to be provided by the end of October, 2012.</p> <p>The shared service review did not include the City Corporations. The City Manager and the Director of Purchasing and Materials Management Division will explore ways to maximize purchasing power with City Corporations separately. Timeline: End of 2013</p>
4.	City Council request the Director, Purchasing and Materials Management, in consultation with the Chief Information Officer, to develop and implement an online system for ordering goods from City and Divisional stores.	X			<p>PMMD, in consultation with I&T, has included this within the scope of the E-Procurement project for development and implementation. The feasibility of the E-procurement project should be completed by Q3, 2013, with timelines for implementation determined later but currently estimated to be in 2014.</p>

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5.	City Council request the Director, Purchasing and Materials Management, in consultation with the Chief Information Officer, to review the costs and benefits associated with integrating scanning technology into existing City and Divisional store operations.	X			<p>Director, PMMD, in consultation with Chief Information Officer and other appropriate Division will conduct a study to determine feasibility of integrating scanning technology into existing City and Divisional store operations.</p> <p>Study Completion: December 31, 2014. (budget implications)</p> <p>Implementation Timelines will be determined after review of the results of the feasibility study.</p>
6.	City Council request the Director, Purchasing and Materials Management to improve the drop shipment business process and leverage additional opportunities for direct delivery by vendors to end users.	X			<p>PMMD will develop language to include in call documents where the client has identified potential drop shipment opportunities and will review associated business process procedures to include communication of drop shipment contract agreement details to City Stores staff to ensure drop shipment opportunities are being maximized.</p> <p>Timeline: January 31, 2013.</p>

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7.	City Council request the Director, Purchasing and Materials Management to exclude drop shipments from the calculation of inventory turnover rate.	X			The Director, Purchasing and Materials Management will exclude drop shipments from the calculation of inventory turnover rate effective January 1, 2013.
8.	City Council request the Deputy City Manager and Chief Financial Officer to report to City Council on the status and completion schedule for the Yards Consolidation Study, including a reconsideration of the Bering Yard.	X			The Chief Corporate Officer will submit a report to Government Management Committee to this effect by November 30, 2012.
9.	City Council request the Director, Purchasing and Materials Management to take the appropriate action to correct the 1999 inventory input error in the financial information system for the Ellesmere store location.	X			The Director, Purchasing and Materials Management, in consultation with the Director, Accounting Services have completed the actions necessary to correct the error on August 22, 2012.