



STAFF REPORT ACTION REQUIRED

Revisions to Schedule A of the Financial Control By-law

Date:	April 28, 2014
To:	Government Management Committee
From:	Treasurer
Wards:	All Wards
Reference Number:	P:\2014\Internal Services\Acc\gm14005Acc (AFS18809)

SUMMARY

This report recommends amendments to Schedule A of the Financial Control By-law (re: Chapter 71 "Financial Control", Toronto Municipal Code) based on a recent review of the Schedule which was conducted in consultation with City Divisions. Schedule A identifies purchases where payments can be processed without a Purchase Order or Sole Source Request form as these goods and services can only be obtained from one source (e.g. utilities, TTC tokens, postage, land registry fees, etc.) or are mandated by legislation.

Schedule A was added to the Financial Control Bylaw in 2004 based on a recommendation from the Auditor General requesting that staff "develop a list of sole source goods and services (e.g. TTC tokens, utilities, etc.) that can be processed without completing a sole (single) source request form". In 2007, Schedule A was revised based on experience gained since its implementation in 2004. A recent review of the Schedule was completed in 2013/2014, in consultation with City Divisions. This report recommends amendments to Schedule A based on the most recent review.

RECOMMENDATIONS

The Treasurer recommends that:

1. City Council amend the Toronto Municipal Code Chapter 71, Financial Control, as set out in Attachment 2 to this report.

Financial Impact

There are no financial implications from this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In 2003, the Auditor General completed a review of the City's procurement processes. At its meeting held on April 14 – 16, 2003, City Council adopted a report from the Auditor General recommending a number of improvements to the procurement process including a recommendation that "The Chief Financial Officer and Treasurer, in consultation with Commissioners, develop a list of sole source goods and services (e.g., TTC tokens, utilities, etc.) that can be processed without completing a sole (single) source request form" (re: Audit Committee Report No. 1, Clause 8 "Procurement Processes Review – City of Toronto"). Following is a link to the Council decision and the Auditor General's report:

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030414/au1rpt/cl008.pdf>

At its meeting held on July 20 - 22, 2004 City Council adopted Administration Committee Report 5, Clause 7 "Procurement Process Review Implementation – Consolidated Report", which among other things added Schedule A (a list of expenditures that do not require the issuance of a Purchase Order or Sole Source Request form before payment can be made as the items listed in Schedule A can only be obtained from one source) to the City's Financial Control Bylaw. Following is a link to the Council decision and staff report.

<http://www.toronto.ca/legdocs/2004/agendas/council/cc040720/adm5rpt/cl007.pdf>

At its meeting held on May 23 - 25, 2007, City Council adopted a revised Schedule A of the Financial Control Bylaw (re: GM4.4 "Revisions to Financial Control By-law"). Following is a link to the Council decision and staff report.

<http://www.toronto.ca/legdocs/mmis/2007/gm/reports/2007-05-10-gm04-cr.pdf>

At its meeting held on October 22 and 23, 2007, City Council adopted PW9.6 "Research Partnership with Toronto Water" which among other things amended Schedule A of the Financial Control By-law to include payments to post-secondary educational institutions, other municipalities or government agencies and/or non-profit professional organizations in relation to research initiatives or projects which directly contribute to achieving goals and objectives stated in Toronto Water's Business Plan. Following is a link to the Council decision and staff report:

<http://www.toronto.ca/legdocs/mmis/2007/pw/reports/2007-10-03-pw09-cr.pdf>

At its meeting held on February 19, 2014, City Council adopted GM27.6 "Clarification of Partnership between Toronto and Region Conservation Authority and the City of Toronto", which among other things revised Schedule A of the Financial Control By-law to include payments to the Toronto and Region Conservation Authority based on work performed on behalf of the City in accordance with certain conditions approved by City Council. This Council decision and staff report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.GM27.6>

At its meeting held on April 9, 2014, the Public Works and Infrastructure Committee, in considering item PW30.6 "Framework for External Research Collaborations for Transportation Services" recommended an amendment to Schedule A of the City's Financial Control Bylaw to include payments to post-secondary educational institutions, other municipalities or government agencies and/or non-profit professional organizations in relation to initiatives or projects which directly contribute to achieving the mission of Transportation Services. City Council will be considering the Public Works and Infrastructure Committee recommendation respecting report PW30.6 at its meeting of May 6, 2014. The Committee decision and staff report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.PW30.6>

ISSUE BACKGROUND

In the normal purchasing process, competitive bids or proposals are obtained, purchase orders are issued and an invoice is received before a payment is made to the supplier.

In cases where a product or service can only be purchased from one source / supplier or a number of suppliers at a set price (e.g. TTC tokens, utilities, taxi service, courses taken at colleges or universities, etc.) or mandated by legislation, it is not feasible or practical to get competitive quotes. As identified by the Auditor General following his review of the City's procurement processes in 2003, requiring Divisions to complete a Sole Source Request form or Purchase Order for goods or services that can only be purchased from one source / supplier is a cumbersome and time-consuming process, which adds unnecessary administrative costs to the processing of such items. Based on the Auditor General's recommendations, City Council in 2004 amended the Financial Control Bylaw to include a list of purchases where payments can be processed without a Purchase Order or Sole Source Request form as these goods and services can only be obtained from one source. Since 2004, Schedule A has been amended to reflect additional single source purchases as approved by City Council.

Records of the single source purchases processed under Schedule A include the invoice received and approved, official receipts from the supplier and the payment issued.

COMMENTS

In an effort to continually improve the City's Financial Control Bylaw and ensure that it remains current, staff conduct regular reviews. The most recent review of Schedule A was conducted in consultation with City Divisions over the past two years. The focus of the working group was to review Schedule A to:

- address any items that should be removed;
- identify any items that should be added;
- re-format the Schedule to make it easier to read; and,
- develop criteria and definitions to complement the Schedule and provide clarity with respect to interpretation and application.

Attachment 1 of this report summarizes items that staff are recommending be added or removed from the Schedule. Explanations for certain items are provided in italics. The items staff are recommending be added to the Schedule (identified in Part A of

Attachment 1) are in keeping with the overall intent of the Auditor General's original recommendation. These added items reflect goods and services that can only be obtained from a single source / supplier or a number of suppliers at a set price (e.g. professional designation fees, copyright/certification fees, TTC Metro Passes, etc.) or mandated by legislation. As such it is not practical or feasible to get competitive quotes for these additional items. Adding these items in Schedule A will save the City time and administrative costs in their purchase and will allow the supplier to be paid in a timely manner.

Attachment 2 presents the recommended revised Schedule A. Attachment 2 includes, under section 23 of Attachment 2, the recent amendment approved by Public Works and Infrastructure Committee at its meeting held on April 9, 2014 (re: PW30.6 "Framework for External Research Collaborations for Transportation Services"). City Council will be considering this item at its meeting scheduled for May 6, 2014. In the event that Council amends the recommendation of the Public Works and Infrastructure Committee, staff will submit a revised Schedule A to Government Management Committee reflecting Council's decision.

CONTACT:

Mike St. Amant,
Director
Accounting Services
Phone: 416-397-4439
email: mstaman@toronto.ca

Victor Tryl
Acting Director
Purchasing and Materials Management
Phone: 416-392-7312
email: vtryl@toronto.ca

SIGNATURE

Giuliana Carbone
Treasurer

ATTACHMENTS

Attachment 1: Items Added to, or Removed from, Schedule A

Attachment 2: Revised Schedule A