

Reinforcing the Importance of Openness, Fairness and Transparency in City Procurement: An Audit of the Procurement and Implementation of the Paylt Unsolicited Proposal

Date: September 30, 2024

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

In March 2021, City Council considered a staff report, [DM30.1 – Swiss Challenge Negotiated Request for Proposals for a Digital Government Platform](#), that detailed the Swiss Challenge Negotiated Request for Proposals process and outlined next steps for negotiation with the successful supplier, Paylt. At that time, City Council adopted a motion requesting the Auditor General to consider a review of the Strategic Partnerships Office (also known as the Toronto Office of Partnerships) as part of the next Auditor General's Annual Work Plan, with a focus on its relationship to public procurement¹. An audit was subsequently added to the Auditor General's Office Work Plan².

The objective of this audit was to review the procurement of the Paylt Platform and outcomes achieved to date, to identify lessons learned and opportunities to clarify and/or improve the City's [Unsolicited Quotations for Proposals Policy](#) and [Process for Receiving and Reviewing Unsolicited Quotations and Proposals](#). The audit aimed to answer the following questions:

- Did the procurement with Paylt properly follow the City's policy and process for unsolicited proposals?
- Did the implementation of the Paylt Platform achieve the intended financial and non-financial outcomes and benefits (as reported to City Council)?

¹ Agenda Item History - 2021.DM30.1 (toronto.ca)

² Refer to the Project Horizon for 2022-2023 included in Auditor General's Office 2022 Work Plan (toronto.ca) and the Project Horizon for 2024 included in Auditor General's Office 2023 Work Plan (toronto.ca)

Our audit report does not comment on the quality and advantages of the PayIt platform, as the audit solely focused on whether the City followed its unsolicited proposals policy and process and whether the City's reported intended outcomes were achieved. In general, we found that PayIt followed the lead of City project staff.

This report presents the result of the audit. The report highlights that:

- A. The policy and process for unsolicited proposals were not followed, even after concerns were raised internally amongst City management
- B. Expected benefits and outcomes of the PayIt implementation were not fully realized within the original timeframes indicated in the business case included in staff reports to City Council
- C. Records supporting key decisions were not properly retained

The nine recommendations in this report are aimed at strengthening the oversight, and policy and process for receiving, reviewing, and responding to unsolicited proposals. This audit report also reinforces the importance of management's leadership and commitment to ensuring openness, fairness, and transparency in City procurement.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the City Manager, in consultation with the Chief Procurement Officer, to review the City's Unsolicited Quotations for Proposals Policy and Process for Receiving and Reviewing Unsolicited Quotations and Proposals, and update the policy and process where necessary. Such review to consider:
 - a. Clarifying the roles and responsibilities of the Strategic Partnerships Office, Purchasing & Materials Management Division, and client divisions
 - b. Requiring the Chief Procurement Officer be advised immediately of any unsolicited proposals received where City staff have expressed interest in moving forward, and be kept informed of all significant actions and decisions made with respect to such unsolicited proposals
 - c. Providing additional guidance to help clarify pre-conditions for considering unsolicited proposals
 - d. Adding criteria or guidance on what types of proposal, project size or delivery model can be considered through the unsolicited proposals policy and process versus the traditional competitive procurement processes
 - e. Adding more flexibility to design a transaction and procurement structure for unsolicited proposals that is best suited to delivering the project and protecting the public interest

- f. Addressing situations where it may be beneficial to conduct a pilot or a proof of concept
 - g. Ensuring the policy and related process are consistent and aligned.
2. City Council request the City Manager, to ensure all Division Heads and applicable staff who are responsible for receiving demonstrations by potential suppliers receive training on the City's Unsolicited Quotations for Proposals Policy and Process for Receiving and Reviewing Unsolicited Quotations and Proposals as well as the procedure for Conducting a Swiss Challenge Request for Proposal.
3. City Council request the City Manager to direct Division Heads to:
- a. Ensure City Council is presented with business cases for City-wide projects that present outcomes that can realistically be achieved within the timeframes desired, as well as potential risks, drawbacks, and disadvantages
 - b. Ensure that any business case that involves a City-wide project implementation has a project charter, implementation plan and timeline agreed by all relevant City Divisions and stakeholders.
4. City Council request the Chief Financial Officer and Treasurer, to report:
- a. The annual amounts Paylt is receiving from the City and its customers compared to what the City would have paid if the City processed those transactions directly
 - b. The actual return on investment on the Paylt agreement achieved over the duration of the initial agreement (i.e., three years plus the two one-year renewal options, where applicable).
5. City Council request the City Manager, in consultation with the Customer Experience (311), Revenue Services, and Technology Services Divisions and the Office of the Chief Information Security Officer (CISO), to clarify roles and responsibilities and establish a protocol for monitoring Paylt's performance and for receiving and reviewing reports, underlying source data, and other deliverables that demonstrate Paylt's ongoing compliance with key contract requirements and key performance indicators for:
- a. Financial reports that support reconciliation of payments and reporting
 - b. Technical performance and compliance with agreed upon standards, including security and privacy metrics
 - c. Operational performance, adoption, and customer satisfaction and efficiency.
6. City Council request the Executive Director, Customer Experience (311) Division, in collaboration with the Director, Revenue Services Division, to:

a. Log all complaints and support calls received related to the Paylt platform (or any future platform adopted by the City in support of its digital government services including electronic billing and payments processing)

b. Leverage data to identify and address trends in questions, concerns, issues, or complaints received, to improve service delivery to residents, businesses, and visitors.

7. City Council request the City Manager to develop and implement a governance framework and methodology to improve ownership and accountability of the planning, procurement, contracting, and delivery of City-wide technology projects (or projects that span across multiple divisions). This would include creating mandates for each project which would include:

a. Identifying which Division has overall ownership and accountability of the project, obtaining buy-in from all stakeholders, identifying and addressing risks and opportunities, and measuring and reporting of key performance measures and outcomes achieved

b. Developing a multi-faceted/cross divisional steering committee, that would collaborate to govern and oversee the project and contract compliance

c. Reporting progress and material changes to the strategy, project scope, budget, and timelines to City Council.

8. City Council request the City Manager to ensure the Strategic Partnership Office enforces adherence to the City's Unsolicited Quotations or Proposals Policy and Process for Receiving and Reviewing Unsolicited Quotations and Proposals, including retention of appropriate records.

9. City Council request the City Manager, in consultation with the Chief Procurement Officer and City Solicitor, to direct the Deputy City Managers, the Chief Financial Officer and Treasurer, and all Division Heads to ensure they maintain and retain minutes of meetings and conversations where significant discussions are held and decisions are made in relation to procurement and contracts.

FINANCIAL IMPACT

Implementing the recommendations will help to ensure City Council receives transparent and balanced information to support decision making, through staff reports that provide realistic expectations for outcomes achievable within the established timeframes, as well as potential risks, drawbacks, and disadvantages. The recommendations also include an enhanced governance framework and methodology for ensuring ownership and accountability of large, City-wide technology projects involving multiple divisions and/or cross-divisional teams.

The resulting financial implications of any anticipated efficiencies and/or resources needed to address the recommendations could not be determined at the time of this report.

DECISION HISTORY

The Auditor General's 2023 Work Plan included an audit of Unsolicited Proposals - Paylt Platform.

<https://www.toronto.ca/legdocs/mmis/2023/au/bgrd/backgroundfile-234051.pdf>

COMMENTS

A high-level summary of key audit findings is provided in the Audit at a Glance.

The attached audit report provides the Audit Committee and members of Council with the detailed audit results and recommendations together with management's response. Management has agreed to all nine recommendations.

CONTACT

Ina Chan, Deputy Auditor General, Auditor General's Office
Tel: (416) 392-8472, E-mail: Ina.Chan@toronto.ca

Matthew Crisafulli, Senior Audit Manager, Auditor General's Office
Tel: (416) 392-2565, E-mail: Matthew.Crisafulli@toronto.ca

SIGNATURE

Tara Anderson
Auditor General

ATTACHMENTS

Attachment 1: Reinforcing the Importance of Openness, Fairness and Transparency in City Procurement: An Audit of the Procurement and Implementation of the Paylt Unsolicited Proposal