MyToronto PAY

Reinforcing the Importance of Openness, Fairness and Transparency in City Procurement

An Audit of the Procurement and Implementation of the PayIt Unsolicited Proposal

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Tara Anderson, CPA, CA, CFE, CIA, BAcc
Auditor General

AUDITOR GENERAL

TORONTO

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Executive Summary

New and innovative ideas can be submitted through the City's unsolicited proposals process

Unsolicited proposals provide external organizations an opportunity to submit new and innovative ideas to the City for the purpose of obtaining a contract with the City with the express intent of securing a financial return for the organization.

City policy for unsolicited proposals was introduced in 2007

In 2007, the City introduced its policy for unsolicited quotations for proposals. The purpose of the policy was to set out expectations for how divisions were to respond to unsolicited quotations or proposals in a manner that ensured transparency, fairness, best value for the City. The aim was also to provide guidance to vendors on the submission of unsolicited quotations or proposals to the City. From 2008 to 2023, the City has received approximately 450 unsolicited business proposals, including an unsolicited proposal from PayIt LLC (PayIt)[1]. Out of the hundreds of proposals received, there were only three[2] (including PayIt) where a Swiss Challenge was completed by the City.

Events leading up to the contract award to PayIt

From February 2019 to July 2019, PayIt representatives began meeting with City management to demonstrate its platform and discuss its service offerings[3]. In August 2019, PayIt submitted an unsolicited proposal, upon direction from City staff, to deliver PayIt's digital government platform with payment processing for key City services[4].

From November 2019 (for approximately three months), a proof of concept was conducted with PayIt. Staff subsequently brought forward a report to City Council on July 28, 2020 (EX15.5), *Innovation Partnership for Digital Government Platform*, seeking authority to enter into a non-competitive contract with PayIt to develop and deliver a digital government platform for City services. City Council referred the item back to the City Manager because they were concerned about the non-competitive nature of the procurement[5].

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[1] PayIt LLC , an American company, was founded in 2013 with a mission to simplify government. Its goal is to empower city governments to collect payments for providing critical government services, such as property taxes and utility payments.

[2] Unsolicited proposals considered by agencies and corporations are not included. For example, an unsolicited proposal received by the Toronto Zoo and related Swiss Challenge process is not included.

[3] PayIt's consultant lobbyist registered with the Lobbyist Registrar in December 2018. The consultant lobbyist filed a subject matter registration (SM27224) on behalf of his client, PayIt.

[4] In early August 2019, PayIt submitted its proposal for a proof of concept directly to City staff. PayIt was directed to submit its unsolicited proposal to the Strategic Partnerships Office at the end of August 2019.

[5] Agenda Item History - 2020.EX15.5 (toronto.ca)

A Swiss Challenge negotiated request for proposals (nRFP) was issued in September 2020.

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 process and next steps for negotiation with the successful supplier, PayIt. A high-level chronology of events is summarized in **Exhibit 1**.

City Council request for an audit

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 Auditor General's next annual Work Plan[6]. An audit of the procurement and implementation of PayIt, as well as a review of the City's public procurement process for unsolicited proposals was subsequently added to the Auditor General's Office Work Plan[7].

Audit objectives

The objective of this audit was to review the procurement of the PayIt 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 PayIt properly follow the City's policy and process for unsolicited proposals?

- Did the implementation of the PayIt Platform achieve the intended financial and non-financial outcomes and benefits (as reported to City Council)?

In general, we found that PayIt followed the lead of City project staff

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.

Our findings and recommendations are summarized briefly as follows:

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[6] Agenda Item History - 2021.DM30.1 (toronto.ca)
[7] 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)

A. The Policy and Process for Unsolicited Proposals Were Not Followed, Even After Concerns Were Raised

Senior City management should know to follow the unsolicited proposal policy

Senior City management should have been familiar with the City's unsolicited proposals policy and process and directed PayIt to the Strategic Partnerships Office. Furthermore, where it was not clear that the criteria for considering an unsolicited proposal were met, it is our view that a normal competitive procurement process would have better supported the principles of transparency, openness, fairness, and best value for the City.

Instead, PayIt provided demonstrations and met with senior management several times from February 2019 to July 2019 to discuss their platform and service offerings. PayIt then submitted its proposal for a proof of concept directly to City management at the beginning of August 2019. When the proposal was brought to the attention of the [then] Chief Procurement Officer[8], he advised staff that it appeared to be an unsolicited proposal and directed management to the Strategic Partnerships Office (who has responsibility for the unsolicited proposals policy and process). PayIt was subsequently directed by staff to submit a proposal to the Strategic Partnerships Office, which they did at the end of August 2019.

Project staff then continued to work with PayIt and, in November 2019, commenced a proof of concept and continued to move forward without pausing to address concerns raised internally by others, including the [then] Chief Procurement Officer and [then] Director of the Revenue Services Division. Project staff advised that they did so at senior City management's direction.

Concerns raised about the approach taken

Concerns raised included:

- needing Council authority to deviate from the unsolicited proposal policy and conduct a proof of concept before a Swiss Challenge

- whether the proof of concept approach would give PayIt an unfair advantage

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[8] The use of "Chief Procurement Officer" throughout this report is used in reference to the Chief Purchasing Officer position which existed in 2019 and the Chief Procurement Officer position which subsequently replaced the Chief Purchasing Officer position.

- whether PayIt's proposal should even be considered under the unsolicited proposal policy, given policy requirements that an unsolicited proposal not proceed if:

  - it requires substantial assistance from the City to complete the quotation or proposal – *they need to use City data in order to validate and demonstrate their value proposition*

  - the goods or services are readily available from other sources – *though PayIt says they are unique, there are others in the market with similar services to some degree*

Unsolicited proposals policy and process guidelines were not followed

Based on interviews with City staff and our review of available records, in our view, the unsolicited proposals policy and process guidelines were not followed. In particular:

- PayIt was not initially directed to the Strategic Partnerships Office and the Strategic Partnerships Office was not the sole point of contact for the unsolicited proposal, as is required by the City's unsolicited proposals process

- Pre-conditions for considering the unsolicited proposal were not clearly met

- Staff proceeded with a proof of concept, which is not contemplated in the unsolicited proposals policy, and continued moving forward with it even though project staff appear to have been aware that "*we actually need to instead make a report to Council in order to get the authority to do a proof of concept ahead of a Swiss Challenge procurement*"

- The City's unsolicited proposals process requires that a Swiss Challenge be conducted, yet management initially recommended entering into a contract with PayIt though a non-competitive procurement. [Then] senior City management advised us that the City proceeded in this manner because it needed to modernize government, accelerate the digital strategy, and provide better digital service delivery for the City as a whole, because it was really fragmented. COVID was the catalyst that made accelerating delivery even more important, where the City needed a solution that could be deployed within months, not years.

Opportunity to strengthen Swiss Challenge procedures and how it is applied in the future

We noted that once staff proceeded with the Swiss Challenge, in general, it was conducted according to the City's [Procedure for Conducting a Swiss Challenge Request for Proposal](). However, while the process for the Swiss Challenge was followed, we made a few key observations for continuous improvement to strengthen the procedure and how it is applied for future Swiss Challenge processes. In particular:

- As a courtesy (especially for goods and services in niche markets), divisions sometimes provide Purchasing & Materials Management Division staff with a list of known vendors in the market space that should be notified of the procurement. For the PayIt unsolicited proposal, City staff and/or their consultant identified 12 potential competitors through their research. However, based on available records, only two of these competitors were specifically notified and invited to participate in the Swiss Challenge. Other companies, not specifically identified in the City's market research, were also sent invitations. Purchasing & Materials Management Division staff published the Swiss Challenge nRFP call document through the City's online procurement system. The City was not obligated to directly notify potential competitors.

- The Swiss Challenge nRFP call document would have benefitted from additional detail on the weighting of certain evaluation scoring criteria. Providing more detail could potentially have guided the proponents differently in their response.

Opportunity to review and update the unsolicited proposals policy and how it is applied in the future

Given that the current unsolicited policy and process have not been updated since 2007/2008, the lessons learned from the PayIt unsolicited proposal provide an opportunity to revisit the policy and process and make improvements. Additional training should also be provided for City staff to increase awareness on what to do should a potential supplier bring an opportunity to the City, outside of a normal procurement process. Some areas for potential improvement include:

- Establishing additional criteria for considering proposals through the unsolicited proposals process – The policy currently does not include any limitations or criteria on the nature or type of proposal, project size or scope and delivery model that can be considered through the unsolicited proposals process.

- Expanding the guidance to increase competition – Currently, the City's unsolicited proposals policy only considers the Swiss Challenge approach to inviting counter quotations or proposals. Other jurisdictions do not limit the transaction and procurement model that can be used when considering an unsolicited proposal.

- Clarifying key terms used in the unsolicited proposals policy.

B. Expected Benefits and Outcomes Were Not Fully Realized

Intent was to transform how the public interacts with the City and drive a consistent City-wide digital customer service experience

In the July 2020 staff report (EX15.5), *Innovation Partnership for Digital Government Platform*, recommending that City Council authorize a non-competitive contract with PayIt, the report emphasized that the PayIt platform would transform how the public interacted with the City and drive a consistent City-wide digital customer service experience. Subsequent staff reports also detailed a number of intended outcomes and benefits to the City – outcomes which were fundamental to the business case for moving forward with PayIt. It is our view, that the reports could have presented a more realistic and transparent picture of the actual outcomes that could be achieved by the City within the timeframes indicated in the reports.

Many intended benefits and outcomes were not fully achieved

The following is a summary of key benefits and outcomes expected and the City's progress-to-date:

Potential or Intended Outcomes	Progress
Capital and sustainment cost avoidance	●
Reduced likelihood of supplier lock-in	●
Building out the partnership with five key services in year one and 12 services over the course of the contract	◑
Improved customer experience & payment centralization across services and Divisions	◑
More payment options	◑
Technology scale, acceleration & interoperability	◑
Savings and cost avoidance in the many millions of dollars	○
Revenue generation opportunities	○

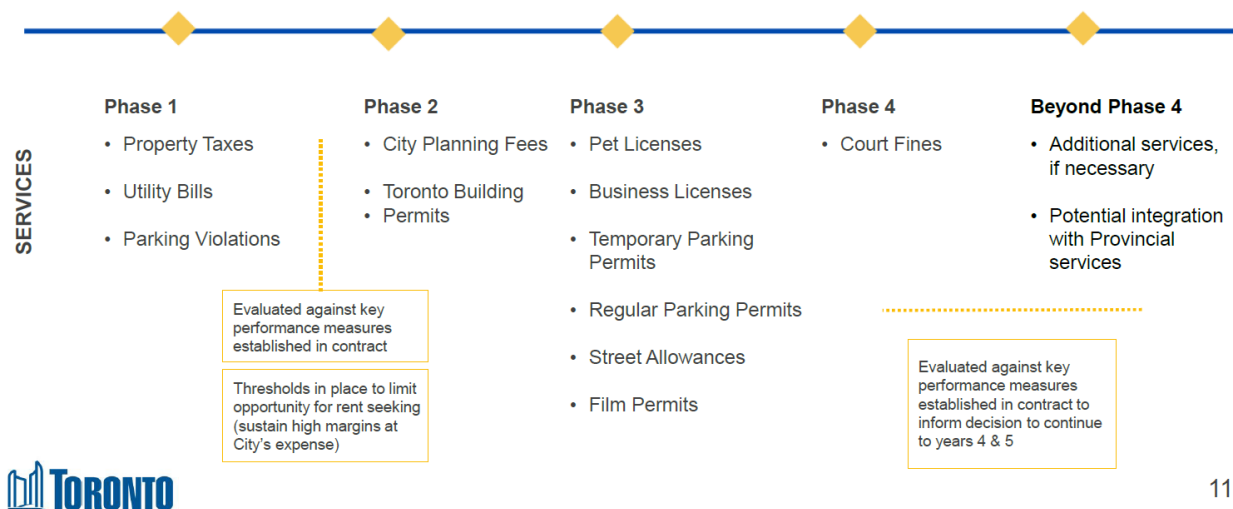*Legend:* ● *Fully Achieved* ◑ *Partially Achieved* ○ *Not Achieved*

The business case for a unified customer experience and return on investment were heavily reliant on achieving a broader City-wide integration of PayIt, as presented to the Executive Committee in April 2021.

Customer experience remains fragmented

In presenting the business case to City Council, the staff reports indicated that PayIt could enable a "One TO Experience" with 12 City services to be integrated into PayIt over the course of the three-year contract (as shown below), with five key services to be integrated in year one. However, more than three years have passed, and the implementation of PayIt has been limited to property taxes, utility bills, and parking tickets. The customer experience still remains fragmented and payment services remain separate across the remainder of the City.

Phased Approach

Integration of the Platform will be undertaken in 4 phases over the course of 2021 and 2022. For Phase 1, thresholds have been put in place to decrease the average cost of fees, as volume grows.

SERVICES

Phase 1
- Property Taxes
- Utility Bills
- Parking Violations

Evaluated against key performance measures established in contract

Thresholds in place to limit opportunity for rent seeking (sustain high margins at City's expense)

Phase 2
- City Planning Fees
- Toronto Building Permits

Phase 3
- Pet Licenses
- Business Licenses
- Temporary Parking Permits
- Regular Parking Permits
- Street Allowances
- Film Permits

Phase 4
- Court Fines

Beyond Phase 4
- Additional services, if necessary
- Potential integration with Provincial services

Evaluated against key performance measures established in contract to inform decision to continue to years 4 & 5

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Source: Excerpted from staff presentation to Executive Committee on April 29, 2021 Innovative Partnership to Accelerate Digital Services with Payments (toronto.ca)

$11 million return on investment was not realized

In presenting the business case to City Council, City staff reported that they conservatively estimated that the City would realize an $11 million return on investment (ROI) over a five-year term. Savings would come from a reduction in in-person payments, mail outs, credit card service fees to the current payment provider, revenue processing and reconciliation, and a rationalization of technology. This ROI heavily relied on completing the four-phase integration (as shown above) within the timelines presented to City Council.

The estimated cost savings and efficiencies that formed part of the business case for PayIt were not realistically achievable within the timelines noted, given that there was lack of buy-in from all the divisions, programs, and services included in Phases 2 to 4.

The City has achieved limited savings, operational efficiencies, and reduced compliance costs because most pre-existing payment processes and systems remain in place, and counter services are still open and hours remain the same as before.

Governance framework is needed to improve ownership and accountability of the planning, procurement, contracting, and delivery of City-wide technology projects

The lessons learned from the PayIt implementation (and the challenges in obtaining the buy-in to integrate the platform City-wide), as well as other City-wide technology projects like the implementation of the City's Enterprise Work Management Solution (EWMS), highlight that the City needs to improve the way it plans, governs, and executes its large, City-wide technology projects. Going forward, as the City looks to enhance and refine its digital payments vision as part of a broader strategy to modernize its public services and adapt to evolving customer expectations for digital services, it is important that a robust governance framework be implemented. In addition, clear guidelines or protocols are needed to outline each division's responsibilities for ensuring contract compliance and monitoring of the achievement of required service levels.

C.   Records Supporting Key Decisions Were Not Properly Retained

It is incumbent on management and staff to ensure records are retained to support key decisions. Given the unusual nature of the PayIt proposal, we expected better retention of records to support key decisions.

Most of the senior management involved in key decisions on PayIt are no longer with the City

At the time our audit was conducted, most of the senior management and staff involved in key decisions with respect to the PayIt unsolicited proposal, proof of concept, and implementation plan were no longer working for the City.

Insufficient records of internal meetings

Based on interviews with current staff, many of the internal discussions on key concerns and/or decisions with respect to the unsolicited proposal and the procurement process were made during internal meetings. However, when we asked staff to provide minutes for key meetings or other records related to key decisions and discussions, staff were generally unable to provide such records to us for review. Consequently, it is difficult to confirm how questions and concerns raised regarding the treatment of PayIt's proposal and compliance with the unsolicited proposal policy and process were addressed and resolved.

Conclusion

Audit findings reinforce the importance of management's leadership and commitment to openness, fairness and transparency in City procurement

The City's unsolicited proposals policy makes it clear that unsolicited quotations or proposals should not be allowed to circumvent the City's procurement process. This audit concludes that:

- The City did not properly follow the unsolicited proposals policy and process. This includes:

  o not ensuring pre-conditions for considering an unsolicited proposal have been clearly met

  o not properly obtaining City Council's authority on the way forward for the unsolicited proposal, and instead proceeding with a proof of concept and subsequently recommending a non-competitive contract award

  o not retaining complete records of key decisions

- The City's implementation of the PayIt platform did not fully achieve the intended financial and non-financial outcomes and benefits (as reported to City Council). While a number of accomplishments have been made to implement PayIt as an option for electronic billing and payment of property taxes, utilities, and parking tickets, the outcomes and benefits ultimately fell short of expectations. This is largely because:

  o the business case relied heavily on PayIt becoming an enterprise-wide system that would unify services and the customer experience across multiple divisions and services

  o at the time the business case was put forward to City Council for approval, buy-in and commitment had not been obtained from key divisions other than the Revenue Services Division

This audit report reinforces the importance of management's leadership and commitment to ensuring openness, fairness, and transparency in City procurement.

Nine recommendations

The nine recommendations in this report are aimed at strengthening the oversight and policy and process for receiving, reviewing, and responding to unsolicited proposals.

Implementing the recommendations will also 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.

Background

What is an unsolicited proposal?

Unsolicited proposals provide external organizations an opportunity to submit new and innovative ideas to the City for the purpose of obtaining a contract with the City with the express intent of securing a financial return for the organization.

Policy and process for unsolicited proposals

The City has an Unsolicited Quotations for Proposals Policy and a Process for Receiving and Reviewing Unsolicited Quotations and Proposals, which sets out the requirements and procedures for any external organizations who are seeking to partner with the City outside of the conventional procurement system. The unsolicited proposals policy and process provide a framework through which potential vendors have an opportunity for their ideas to be presented and evaluated. The City also has a procedure for Conducting a Swiss Challenge Request for Proposal, which sets out the expected steps involved to obtain counter proposals to an unsolicited quotation or proposal.

This framework was designed to help staff identify unique and innovative projects and set out how they are to receive, review, and respond to unsolicited proposals in a manner that supports the principles of transparency, fairness, and best value for the City and does not circumvent the procurement process.

For an unsolicited proposal to be considered by the City, it cannot be in response to a current or anticipated request for proposal or any City-initiated solicitation or program.

From 2008 to 2023, the City has received and processed approximately 450 unsolicited business proposals. Out of the hundreds of proposals received, there were only three[9] (including PayIt) where a Swiss Challenge was completed by the City.

In May 2021, after completing a Swiss Challenge process, City Council authorized staff to enter into a contractual agreement with PayIt Digital Government Inc. (PayIt's Canadian operating entity) for the provision of digital services with payments. A high-level chronology of events leading up to this contract award is summarized in **Exhibit 1** and our observations related to the process to award the contract are detailed further in the Audit Results section of the report.

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[9] Unsolicited proposals considered by agencies and corporations are not included. For example, an unsolicited proposal received by the Toronto Zoo and related Swiss Challenge process is not included.

What is PayIt?	PayIt LLC, an American company, was founded in 2013 with a mission to simplify government. Its goal is to empower city governments to collect payments for providing critical government services, such as property taxes and utility payments.
How did PayIt's platform come to the City's attention?	From February 2019 to July 2019 (after registering with the Lobbyist Registry[10]), PayIt representatives began meeting with senior City management, including the [then] Deputy City Manager, Corporate Services, [then] Chief Technology Officer[11], and [then] Director of the Revenue Services Division, to demonstrate its platform and discuss its service offerings. After the initial meetings, in July 2019, senior management indicated to PayIt their interest in proceeding with a proof of concept.[12]
PayIt's proposal was submitted to City staff	In August 2019, PayIt submitted a proposal for a proof of concept directly to City staff. It is at this point, that City staff contacted the [then] Chief Procurement Officer and advised him that *"We are entertaining a proposal from a US-based vendor to accelerate development of a digital platform to transform revenue-based services. This has a real potential and a lot of support from the top-down and they have proposed a sole source approach based on not having competitors, but of course we need to do our collective due diligence."*
Chief Procurement Officer immediately directed staff to the Strategic Partnerships Office to follow the unsolicited proposals policy	The [then] Chief Procurement Officer immediately identified to staff that this appeared to be an unsolicited proposal and directed staff to the Strategic Partnerships Office, who is tasked with the unsolicited proposals policy[13]. An unsolicited proposal to deliver PayIt's digital government platform with payment processing for key City services was then submitted to the Strategic Partnerships Office on August 30, 2019. In late August / early September 2019, PayIt representatives met with Strategic Partnerships Office staff who laid out the requirements of the unsolicited proposals policy and process.
Senior City staff continued with a proof of concept	At the same time, staff continued to plan a proof of concept and in November 2019 kicked off the proof of concept to be conducted in a test environment set up by the City using test data[14] provided by the City. Conducting a proof of concept is not explicitly contemplated within the City's unsolicited proposals policy.

[10] PayIt's consultant lobbyist registered with the Lobbyist Registrar in December 2018. The consultant lobbyist filed a subject matter registration (SM27224) on behalf of his client, PayIt.

[11] The use of "Chief Technology Officer" throughout this report is used in reference to the Chief Information Officer role which existed in 2019 and the Chief Technology Officer role which subsequently replaced the Chief Information Officer role.

[12] A proof of concept (POC) of a product, service or solution is a demonstration of its feasibility and how the product, service or solution will fulfill the customer's requirements.

[13] The Strategic Partnerships Office's responsibilities includes ensuring all the pre-conditions for considering the unsolicited proposal under the policy are met, before moving forward with the proposal.

[14] The test data was created using some similar parameters to real data.

After this, staff prepared a report for Executive Committee in March 2020. However, the COVID-19 pandemic resulted in the cancellation of the meeting and the report was not considered.

City Council referred the report recommending a non-competitive agreement with PayIt back to the City Manager

Management subsequently brought forward a report to City Council on July 28, 2020 (EX15.5), *Innovation Partnership for Digital Government Platform*, seeking authority to enter into a non-competitive contract with PayIt for a three year term, plus two one-year renewals at the option of the City, to develop and deliver a digital government platform for City services. City Council referred the item (EX15.5) back to the [then] City Manager for further consideration because they were concerned about the non-competitive nature of the procurement[15].

Swiss Challenge has issued in September 2020

The Purchasing & Materials Management Division and the Strategic Partnerships Office again recommended that a Swiss Challenge procurement process be conducted. The [then] City Manager agreed to move forward with this approach. The Swiss Challenge was issued in September 2020 and a report detailing the Swiss Challenge process and outlining its outcome was received by Council in March 2021. The report identified PayIt as the successful proponent.

PayIt was awarded a contract after a Swiss Challenge process

In May 2021, City Council considered a staff report (EX23.2), *Innovative Partnership to Accelerate Digital Services with Payments*, and adopted the recommendation requesting authorization to enter into and execute a contract with PayIt for three years, plus two one-year renewal options. The City then partnered with PayIt to create MyToronto Pay.

New digital payment platform, MyToronto Pay, was launched in February 2022

MyToronto Pay was officially launched in February 2022. As described on the City's website, MyToronto Pay offers a digital experience and platform which enables residents, businesses, and visitors to Toronto to make payments to the City for property taxes, utility bills, and parking violations. The City describes the experience as providing residents with digital payment options that will provide an improved customer experience to businesses and residents.

Prior to the launch of PayIt (at the end 2021), approximately 94 per cent of residents and businesses paid their property taxes and utility bills through their banks (via online banking, mortgages, or pre-authorized payments), with the remainder primarily mailing in cheques to the City. Paying by credit card was not an option. With the launch of MyToronto Pay in February 2022, new payment options were introduced, as shown in **Exhibit 3**.

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[15] Agenda Item History - 2020.EX15.5 (toronto.ca)

Audit Results

A. The Policy and Process for Unsolicited Proposals Were Not Followed, Even After Concerns Were Raised

A.1. Senior Staff Raised Concerns Internally About the Procurement Approach

Senior management should have been familiar with the City's unsolicited proposals policy and directed PayIt accordingly	PayIt provided demonstrations and met with senior City management several times from February 2019 to July 2019 to discuss their platform and service offerings. PayIt then submitted a proposal directly to senior City staff on August 1, 2019 (followed by an updated proposal on August 12, 2019).

Senior management should have been familiar with the City's unsolicited proposals policy and process and directed PayIt accordingly. (Refer to **Section A.2** for further discussion of areas where the unsolicited proposals policy and process were not followed). |
| **Staff began considering a sole source approach early on** | Instead, staff advised the [then] Chief Procurement Officer on August 12, 2019, that *"We are entertaining a proposal from a US-based vendor to accelerate development of a digital platform to transform revenue-based services. This has a real potential and a lot of support from the top-down and they have proposed a sole source approach based on not having competitors, but of course we need to do our collective due diligence.*

Could you connect me to someone from your team to review the options for sole sourcing and what would be involved?" |
| **Chief Procurement Officer flagged that PayIt's unsolicited proposal needed to follow the unsolicited proposals policy in August 2019** | The [then] Chief Procurement Officer replied that this sounded like an unsolicited proposal and referred staff to the Strategic Partnerships Office as well as Purchasing & Materials Management Division staff to discuss if the unsolicited proposal policy was applicable, and what due diligence to do to understand whether this should be a sole source, if the unsolicited proposal policy did not apply. |
| **Strategic Partnerships Office walked PayIt through the City's unsolicited proposals policy requirements** | On August 23, 2019, staff referred PayIt to the Strategic Partnerships Office. An unsolicited proposal to deliver PayIt's digital government platform with payment processing for key City services was then submitted to Strategic Partnerships Office on August 30, 2019. Upon receipt of the unsolicited proposal, the Strategic Partnerships Office walked PayIt through the City's unsolicited proposals policy requirements. |

In late September 2019, the unsolicited proposal was referred to the Revenue Services Division, and Customer Experience Program in the Office of the Deputy City Manager, Corporate Services. At the same time, Strategic Partnerships Office staff outlined that the unsolicited proposal was subject to a Swiss Challenge process and provided divisional management the procedure for conducting a Swiss Challenge. Strategic Partnerships Office staff explained that the Swiss Challenge would be based on terms and conditions that the City agreed to and would only proceed if Council approval for the initiative was granted. Divisional management expressed their interest in PayIt's proposal.

A preliminary meeting between Strategic Partnerships Office staff and divisional management was held on October 4, 2019. No minutes of the meeting were available for our review, including the questions asked and advice provided during that meeting about the unsolicited proposals process and any other unrelated City programs (e.g., Green Market Accelerator Program[16]).

Management decided to proceed with a "proof of concept" without involving the Strategic Partnerships Office or Purchasing & Materials Management Division

In October 2019, management discussed continuing with a "pilot" / "proof of concept" to inform the City's customer experience/digital strategy and the RFP or proceeding straight to a Swiss Challenge based on the process they indicated was laid out by Strategic Partnerships Office staff [at the October 4, 2019 meeting]. This discussion and decision occurred without involving the Strategic Partnerships Office or Purchasing & Materials Management Division staff.

Divisional staff then continued to work with PayIt directly, proceeding with a proof of concept with little to no involvement or follow up by the Strategic Partnerships Office and/or Purchasing & Materials Management Division staff.

On November 6, 2019, the [then] Deputy City Manager, Corporate Services advised the [then] City Manager and the [then] Chief Financial Officer and Treasurer that *"We are starting a Proof of concept which will be approximately 3 months and this will help us decide if their product becomes the portal into CRM for our citizens and businesses ie to pay for services (property taxes, parking tickets etc)."*

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[16] The Green Market Acceleration Program provides local firms and foreign investors with an opportunity to collaborate with the City of Toronto in order to accelerate the development and commercialization of made-in-Toronto green technologies.

Strategic Partnerships Office staff provided project staff with information about other programs that were not applicable to the unsolicited proposal process

In mid-November, after divisional staff had already moved forward with the proof of concept, project staff appeared to reach out to the Strategic Partnerships Office on next steps. Specifically, project staff had *"follow up questions as we move forward with PayIt around the proof of concept"*. These questions were *"Mainly around – Is there any more information around the market accelerator program that allows us to go forward with a proof of concept with PayIt? Anything around legal / compliance issues we want to be cognizant of, given if we do move forward with a Swiss challenge RFP following the proof of concept."*

There appears to have been a meeting between Strategic Partnerships Office staff and divisional staff to discuss these questions. However, there were no minutes of the meeting, including the questions asked and advice provided during that meeting, that were made available for our review. This meeting was followed by an email from Strategic Partnerships Office staff referring divisional project staff to other staff who were involved in the Green Market Accelerator Program to provide some samples of Memorandums of Understanding (MOU) for applicants of the Green Market Accelerator Program that had undertaken pilot projects with the City.

We note that the Green Market Accelerator Program is not applicable to the unsolicited proposal received from PayIt. Strategic Partnerships Office staff should not have simply forwarded this information to divisional staff without also making it clear, in writing, that PayIt did not fall within the parameters of the Green Market Accelerator Program and that conducting a proof of concept with PayIt was not aligned with the unsolicited proposals policy.

After the proof of concept was brought to his attention in November 2019, the Chief Procurement Officer questioned whether the unsolicited proposals policy was being appropriately followed

However, shortly thereafter, the proof of concept was brought to the [then] Chief Procurement Officer's attention by Strategic Partnerships Office staff. The [then] Chief Procurement Officer then raised questions and concerns related to:

- needing Council authority to deviate from the unsolicited proposals policy and conduct a proof of concept before a Swiss Challenge

- whether the proof of concept approach would give PayIt an unfair advantage

The [then] Chief Procurement Officer also flagged concerns to the [then] Controller about whether PayIt's proposal should even be considered under the unsolicited proposals policy, given the policy requires that an unsolicited proposal not proceed if:

- It requires substantial assistance from the City to complete the quotation or proposal – *they need to use City data in order to validate and demonstrate their value proposition*

- The goods or services are readily available from other sources – *though PayIt says they are unique, there are others in the market with similar services to some degree*

In late November 2019, project staff made senior City management aware that they were recently informed *"that the Green Market Accelerator Program is in fact not appropriate for PayIt, and we actually need to instead make a report to Council in order to get the authority to do a proof of concept ahead of a Swiss Challenge procurement"*. However, regardless of concerns raised, it appears senior management decided to continue with the proof of concept with no changes to the approach.

Staff did not want "*this new development*" to slow down the proof of concept work

Emails amongst project staff indicated the perspective that *"We don't want this new development to slow down the great work that's already happened on the PoC* [Proof of Concept]*, we've had fantastic collaboration with our tech partners from* [the Technology Services Division] *in getting the connections to PayIt up and running, but we also want to be completely transparent and make sure we move forward with this proof of concept in the right way, hence this update."*

In December 2019, further concerns were raised by the Director of Revenue Services about the need for a competitive procurement

In late December 2019, the [then] Director of the Revenue Services Division also raised concerns questioning that a competitive procurement had not yet been undertaken, aiming to clarify and confirm the City's ability to undertake a proof of concept. *"It is clear, from discussions with* [Purchasing & Materials Management Division]*, that we have not, to date, undertaken a competitive process that established an ability to single-source an agreement with PayIt, and it is clear that there are other operators in the marketplace that could deliver a similar service if offered the opportunity to present a proposal. This is a critical point, and needs to be resolved before proceeding, (i.e., before further efforts/resources are expended). Do we need to conduct a competitive bid process before proceeding with PayIt's proof of concept?"*

Concerns raised by the Chief Procurement Officer and Director of Revenue Services do not appear to have been fully addressed	Based on emails and other records provided by staff for our review, it is unclear that the concerns raised by the [then] Chief Procurement Officer and [then] Director of the Revenue Services Division were fully addressed prior to staff continuing to move forward with the proof of concept. It appears that divisional staff continued to work with PayIt to complete the proof of concept without pausing to fully address the concerns. Project staff advised that they did so at senior City management's direction.
Staff submitted a report for the March 24, 2020 Executive Committee	This continued to be an area of discussion internally amongst staff through March 2020, as staff were preparing to report to the March 24, 2020, Executive Committee. The report intended to recommend that the [then] Deputy City Manager, Corporate Services and [then] Chief Financial Officer and Treasurer report back on the interim results of the innovative partnership efforts, such as potential alternatives to the City's standard procurement processes, by Q3 of 2020, which may include draft innovative business models, commercial arrangements, joint venture agreements or partnership agreements.
March 2020 report did not disclose the full extent of the interactions and work with PayIt	The report that was prepared and submitted for the March 24, 2020 Executive Committee meeting did not disclose the full extent of the interactions and work with PayIt. Rather, the report briefly states that *"Cxi* [Customer Experience Transformation and Innovation Unit in the Office of the Deputy City Manager, Corporate Services] *and Technology Services staff are currently exploring a concept validation with Payit to deliver a City of Toronto digital government and payment platform to strengthen the City's relationship with the public through positive customer service experience, leading to higher trust and confidence"* and that *"The team will report back with a business case to support the proposal, including risks and standards to be met, as well as any proposed partnership agreements and /or financial implications."* The report does not transparently disclose: • that the City received an unsolicited proposal from PayIt in mid-2019 • the regular meetings and communications with PayIt, since June 2019, about its proposal • the extent of involvement by staff to conduct the proof of concept and under what authority the proof of concept was conducted The report also did not seek City Council's authority for the way forward for the unsolicited proposal (i.e., Council authority to apply the Swiss Challenge approach and outlining how the challenge will be conducted) as is required by the unsolicited proposals policy. (Refer to **Section A.2** for further discussion of areas where the unsolicited proposals policy and process were not followed).

| **March 2020 Executive Committee meeting was cancelled due to COVID-19 pandemic** | We note that the March 24, 2020 Executive Committee did not proceed (and the staff report dated March 11, 2020 that was submitted to the City Clerk's Office did not move forward to Committee and Council for consideration) because of the onset of the COVID-19 pandemic. |

| **By July 2020, staff had returned back to recommending a sole source approach** | By the time staff reported to City Council in July 2020, although the fundamental proposal from PayIt had not changed, City staff had returned back to a sole source approach, indicating, at least in part, that the reason was to accelerate the City's response to the COVID-19 pandemic. Although the COVID-19 pandemic heightened the City's need for increased and rapid digitization in general, there were already other existing online payment channels available. In addition, the PayIt platform did not get launched until early 2022. The initial launch and subsequent rollout of new services had a limited impact on how people pay for property taxes, utilities, and parking tickets. (Refer to **Section A.2** and **Section B** for further discussion on outcomes). |

A. 2. Unsolicited Proposal Guidelines Were Not Followed

| **Policy and process governing unsolicited proposals** | In 2007/2008, the City introduced an Unsolicited Quotations for Proposals Policy and Process for Receiving and Reviewing Unsolicited Quotations and Proposals for receiving, reviewing, and responding to unsolicited proposals in a manner that supports the principles of transparency, fairness, and best value for the City. The process sets out specific criteria to ensure that the proposals considered are unique and innovative, do not circumvent the City's regular procurement process, and are of interest to the City. |

Strategic Partnerships Office was not the sole point of contact and PayIt was not initially directed to the Strategic Partnerships Office

| **Strategic Partnerships Office is supposed to be the sole point of contact** | To ensure that proponents do not contravene the City's policy, procedures, and processes, thereby invalidating the unsolicited offer, all initial inquiries relating to unsolicited quotations or proposals are to be referred to the Strategic Partnerships Office. The Strategic Partnerships Office is to be the sole point of contact prior to the submission of any documentation. The proponent is to direct any questions and issues to the Strategic Partnerships Office. The Strategic Partnerships Office will then direct the proposal to the appropriate division for consideration. |

PayIt was not initially directed by senior management to the Strategic Partnerships Office

In general, we found that PayIt followed the lead of City project staff

PayIt was not initially directed by senior management to the Strategic Partnerships Office. According to the Lobbyist Registry, it appears PayIt first approached members of City Council and City management in January 2019. PayIt then met with senior City management and provided demonstrations and an initial proposal for work. As noted previously in **Section A.1**, PayIt was only directed to submit its proposal to the Strategic Partnerships Office in late August 2019. This was after the proposal was brought to the [then] Chief Procurement Officer's attention, and he had flagged that this appeared to be an unsolicited proposal and needed to follow the City's unsolicited proposals policy. In general, we found that PayIt followed the lead of City project staff.

Minimal involvement by Strategic Partnerships Office and/or Purchasing & Materials Management Division staff

Upon receipt of the unsolicited proposal, the Strategic Partnerships Office walked PayIt through the unsolicited proposals policy requirements. Contrary to the unsolicited proposals guidelines[17], once the unsolicited proposal was received and referred to the relevant divisions and staff expressed interest in PayIt's proposal, divisional staff continued to work with PayIt directly with minimal to no involvement by the Strategic Partnerships Office and/or Purchasing & Materials Management Division staff.

Strategic Partnerships Office should have asserted a more active role throughout the unsolicited proposals process

There was a range of views of the role of the Strategic Partnerships Office. Certain staff appeared to be of the view that the role of the Strategic Partnerships Office was to receive and refer the proposal, and that once divisions expressed their interest in the proposal, the divisions had responsibility for progressing the unsolicited proposal, including the subsequent procurement process. They were either unaware, or were not of the view, that the role of the Strategic Partnerships Office was to act as a chaperone or single point of contact, shepherding the unsolicited proposal through the process from beginning to end, in order to ensure the City's policy, procedures, and processes were followed. In our view, the Strategic Partnerships Office, being designated under the unsolicited proposals policy as the single point of contact for unsolicited proposals, should have asserted a more active role throughout the unsolicited proposals process.

In our view, the lack of clear understanding of the roles and responsibilities of the Strategic Partnerships Office and interested divisions contributed to the City's non-compliance with the unsolicited proposals policy.

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[17] Proponents are permitted to liaise with Division staff, <u>but only via the Strategic Partnerships Office</u>.

Pre-conditions for considering the unsolicited proposal were not clearly met

Pre-conditions for unsolicited proposals to ensure they do not circumvent the City's procurement process

The unsolicited proposals policy sets pre-conditions for consideration of proposals. Specifically, unsolicited quotations or proposals should not be allowed to circumvent the City's procurement process. An unsolicited quotation or proposal should not be considered if[18]:

a) It resembles a current or upcoming competitive procurement that has or will be requested

b) It requires substantial assistance from the City to complete the quotation or proposal

c) The goods or services are readily available from other sources

PayIt proposal may not have met required pre-conditions

Interviews with staff and records made available for our review, raise questions as to whether the pre-conditions for proceeding under the unsolicited proposal process were met. As discussed further in **Section C**, the Strategic Partnerships Office was unable to provide us with documentation of staff's assessment and determination as to whether the PayIt proposal met the pre-conditions.

Where certain pre-conditions may not have been clearly met, it is our view that a normal competitive procurement process would have better supported the principles of transparency, openness, fairness, and best value for the City.

a) <u>The unsolicited proposal resembles a current or upcoming competitive procurement that has or will be requested</u>

Proposed services resembled potential services that Revenue Services was already considering

Staff advised that, at the time PayIt approached the City, the Revenue Services Division had already been looking to increase their online service offering for some time. For example, the Revenue Services Division wanted a way for people to pay their property taxes and utility bills online directly through the City. They explored having this developed internally with the Technology Services Division, but discovered there were long waiting lists for corporate IT projects (approximately 5 years), and no guarantees that the Technology Services Division would be able to deliver the requirements in a reasonable timeframe. Revenue Services Division's desire for electronic billing and online payment options was not a new service delivery requirement or initiative. The Revenue Services Division had been exploring electronic billing for a number of years.

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[18] The unsolicited proposal policy includes a fourth criteria where an unsolicited quotation or proposal should not be considered. This fourth pre-condition for consideration was met as the PayIt proposal was deemed by the Division Head to be of sufficient value to the City of Toronto to be considered.

Online services were contemplated in the City's 2014 Information Technology Strategy	At a corporate-wide level, the Technology Services Division's five-year roadmap plan for achieving the eCity goals from 2014 included online service delivery as a key program *"to provide residents, businesses, visitors, and partners of the City the channel of choice to obtain personalized and integrated information and services"*, and referenced "MyToronto".[19,20]
Unsolicited proposal led to accelerated timelines for procuring and implementing online services	it would likely have taken the City significantly longer to procure or internally develop online services than the proposed six-month time frame for PayIt to build and have the system up and running. Still, the question remains of whether the proposal just accelerated the City's timelines for procuring and implementing the online services contemplated in the 2014 Information Technology Strategy. In which case, the unsolicited proposal may resemble an upcoming procurement to be requested, and it would have been more appropriate to proceed with a normal competitive procurement process.

    b) <u>The unsolicited proposal requires substantial assistance from the City to complete the quotation or proposal</u>

City staff are not to give advice or guidance or collaborate with a potential proponent	According to the City's Process for Receiving and Reviewing Unsolicited Quotations and Proposals, to ensure a proponent does not receive substantial assistance from the City to complete the quotation or proposal, thereby invalidating the unsolicited offer, all initial inquiries relating to unsolicited proposals are to be referred to the Strategic Partnerships Office. The Strategic Partnerships Office is supposed to be the sole point of contact prior to the submission of any documentation.

The Strategic Partnerships Office is supposed to serve as a liaison for a potential proponent and will, as required, consult directly with the relevant division(s) to coordinate the appropriate advice and guidance requested by the proponent. The assistance offered, however, must not constitute collaboration or direct support. |

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[19] City Information Technology Strategy [Agenda Item History - 2014.EX44.23 (toronto.ca)](#). Staff reports going as far back as 2002 refer to eCity goals to ensure that the City's core businesses, services to the public, and political processes are effectively sustained and enhanced by its information technology resources.
[20] The key elements of the eService vision is to ensure the City is accessible and responsive to the services required by the public; providing a channel of choice where the public can choose website, email, regular mail, telephone (line or cell), fax, [self-service] kiosk, or over-the-counter channel for accessing services; providing one stop service for multiple divisions offering common services such as payment and authentication for a more consistent City-wide experience. [Information & Technology 2015-2024 Capital Budget and Plan, Capital Analyst Notes (toronto.ca)](#)

Specifically, divisional staff are precluded from engaging in the following activities:

- acting as "sounding boards" for quotations or proposals
- delivering advice on project design
- advising on the selection of resources
- coordinating or participating in the collection and/or analysis of data
- helping to refine proposals
- participating in the preparation of any documentation

The above actions are not exhaustive. In essence, any activity that is construed to have compromised the independence of the proponent's idea should void the initiative.

A number of interactions between City staff and PayIt over a period of time

Based on the records we reviewed, we observed a number of interactions between City staff and PayIt over a period of time preceding the submission of the unsolicited proposal to the Strategic Partnerships Office and prior to the commencement of a Swiss Challenge process.

For example, during the approximately eight-month period before presenting the proposal to the Strategic Partnerships Office:

PayIt provided demonstrations and received guidance on next steps

- PayIt was invited to City Hall to provide a demonstration to senior management. After the meeting, action items and next steps provided to PayIt by City staff included the following:

  o Develop a proposal for the City of Toronto as a Proof of Concept. The proposal should identify value proposition, platform differentiator in the industry, market focus, and business model

  o The platform must be available within a cloud provider in Canada with business continuity, be a sustainment and support model, be Accessibility for Ontarians with Disabilities Act (AODA) compliant, and have the ability to verify cyber security and privacy

PayIt was provided with City information and test data to develop their proposal

- PayIt was provided with information related to the City's systems to develop their proposal. PayIt was sent test data[21] and information on total transaction volumes and values related to property taxes, parking tickets, and utility bills for 2017, 2018, and January through July 2019

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[21] The test data, to be used in the test environment provided by the City , was created using some similar parameters of real data.

PayIt was included in correspondence discussing City's procurement approach	• PayIt submitted an initial proposal to City staff on August 1, 2019. Staff reviewed the proposal internally and then included PayIt on an email on next steps including:

- o PayIt to send updated proof of concept proposal / sole source approach to the City

- o Staff to connect with City's procurement staff on sole source approach

- o Staff to set up deeper dive with the Revenue Services Division team and PayIt specifically on business case return on investment analysis for the City

- o Staff to set up recurring weekly touch-base calls, including the Revenue Services Division and the [then] Deputy City Manager, Corporate Services, in addition to the Technology Services and Customer Experience Divisions

PayIt and City staff met and corresponded regularly

After the Strategic Partnerships Office received the proposal and referred the proposal to the relevant divisions, PayIt and City staff:

- engaged in regular update meetings to discuss the proof of concept and proposal progress from August 2019 to just before the Swiss Challenge in September 2020

- held breakout sessions where PayIt would be able to ask general questions and receive feedback of staff related to how the digital experience should operate

- held an in-person working session to allow for more in-depth discussions around customer experience, payments, and technology integration

- discussed feedback on the design of the digital experience and usability of the application

About 20 Technology Services Division staff provided a total of about 1,200 staff hours of assistance for the proof of concept	Technology Services Division (TSD) staff advised us that the proof of concept required:

- TSD staff to work closely with PayIt, including approximately 20 staff and 1,200 staff hours assisting with the PayIt proof of concept from November 2019 to February 2020

- TSD to stand up a new Application Programming Interface (API) and production level infrastructure to deliver the new API, which included implementing security controls, connecting to back-end test systems, etc.[22]

The City's Process for Receiving and Reviewing Unsolicited Quotations and Proposals makes it clear that, *"…staff involvement that is found to encompass supervision or direction will disqualify the proposal from further consideration and result in the immediate termination of the process, all correspondence through Strategic Partnerships is to be limited to the provision of general information and/or restricted to the resolution of issues of a general nature "*.

Extent of interactions are substantial	The extent of communication, collaboration, and support provided by City staff calls into question whether the information provided, and the correspondence, is considered to be general in nature or not. In our view, the extent of interaction that occurred prior to the Swiss Challenge is substantial, considering PayIt were not agents, employees, or contractors of the City at that time.
City staff did not adhere to the unsolicited proposals policy and process	PayIt may have been able to put forward a valid proposal on its own, without any involvement of City staff. However, by:

- not directing PayIt immediately to the Strategic Partnerships Office and not ensuring the Strategic Partnerships Office was the sole point of contact, and

- communicating and collaborating with PayIt on an ongoing basis prior to and subsequent to the submission of the unsolicited proposal, and prior to the Swiss Challenge process,

City staff did not adhere to the unsolicited proposals policy and process requirements. Under these circumstances, staff should have considered whether the unsolicited offer should have been invalidated and the initiative voided.

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[22] Management advised that this level of effort is not uncommon when onboarding a new Software as a Service (SaaS)/Cloud-based solution for the City. However, in this case, the proof of concept occurred before any competitive procurement and is not something that is contemplated or allowed under the existing unsolicited proposals policy.

Had the Strategic Partnerships Office independently determined that the initiative should have been voided, the appropriate course of action would have been to reject the unsolicited proposal. After the rejection, if there was still interest in considering proposals for a digital payments platform, staff would have been able to utilize another procurement method in accordance with the Toronto Municipal Code, Chapter 195, Purchasing.

c) The goods or services are readily available from other sources

Staff report to City Council indicated PayIt was unique

The July 2020 staff report (*EX15.5*), [*Innovation Partnership for Digital Government Platform*](link), recommending the award of a non-competitive contract to PayIt, characterized the system / services as a "digital government platform" and indicated that PayIt was "unique in its offering".

Common view amongst staff that there were alternative payment systems available

However, our interviews of staff as well as review of internal communications indicated a common view that there were other alternative digital payments systems available in the market and that, at least in part, the PayIt platform was not unique. For example,

- In an email sent to the [then] Deputy City Manager, Corporate Services in March 2020, the [then] City Manager said, "*As discussed I think its extremely important to identify alternative payment systems in our report that are available and for reasons we can defend are not recommended. I know others in North America are supporting this service without PayIt.*"

- In an email sent by the [then] Chief Procurement Officer to the Controller in December 2019, the [then] Chief Procurement Officer indicated, "*... [staff] know that there are others in the market to some degree.* [Strategic Partnerships Office staff] *perspective was that he could not determine* [the goods or services are readily available from other sources]*, and based on PayIt saying they are unique and the Division's interest in proceeding, that they should be able to proceed. I've asked for someone to actually stand behind the sign off that we have passed through this first gate.*"

  The [then] Chief Procurement Officer also indicated, "*Agile[23] is not unique to PayIt, anyone should be able to do it in an agile way (assuming the City is capable of our part to ensure that the agile deployment goes off correctly...)*"

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[23] Agile refers to software development methodology whereby the approach involves breaking the project into phases and emphasizing continuous collaboration and improvement.

- Similarly, a December 2019 email sent by the [then] Director of the Revenue Services Division to senior staff indicated, *"It is clear, from discussions with* [Purchasing & Materials Management Division]*, that we have not, to date, undertaken a competitive process that established an ability to single-source an agreement with PayIt, and it is clear that there are other operators in the marketplace that could deliver a similar service if offered the opportunity to present a proposal. This is a critical point, and needs to be resolved before proceeding, (i.e., before further efforts/resources are expended). Do we need to conduct a competitive bid process before proceeding with PayIt's proof of concept?"*

- In an email sent to the [then] Deputy City Manager, Corporate Services in October 2019, senior project staff said that *"The point* [the Director of the Revenue Services Division] *and I made about other vendors in this space is true, especially as it relates to payment capabilities. That was to make the point there is no sole source option."*

Where there are potential competitors in the market, the appropriate course of action is a normal competitive procurement process

The unsolicited proposals policy requires that goods or services not be readily available from other sources. Given the potential availability of alternative systems in the market[24], it is our view that if there was even one potential competitor in the market, the appropriate course of action would have been to conduct a normal competitive procurement in accordance with the Toronto Municipal Code, Chapter 195, Purchasing.

Swiss Challenge for "Digital Government Platform" vs. requirement for a digital payments solution

While the subsequent Swiss Challenge enabled the City to seek out competitors, the Swiss Challenge characterized the City's requirement as needing a "digital government platform" which could easily be interpreted as the City procuring something broader than the digital payments system it intended to implement in the immediate term. For example, the Deliverables section of the Swiss Challenge nRFP call document indicated:

- Residents, businesses, and visitors to Toronto want a simple, consistent, and connected experience with the City. A "One Toronto", experience anywhere and anytime. This has been further emphasized by the pandemic and the need for rapid digitization and contactless service delivery models

- The City is looking for an innovative partnership to respond to this challenge and accelerate and scale digital government.

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[24] A Counter Services Efficiency Study completed for the City by an external consultant in April 2013 identified examples of innovative private sector counter services including an example of a different provider that takes a fee based on certain transactions the portal performs; if the portal is not utilized, there is no cost to government.

We also noted that one of the interested parties who declined to submit a response indicated that one of the reasons they did not submit a response was because *"As we dove into the requirements we realized that the need was more for a payments solution than a 'digital government' platform. While we've got products and expertise in the latter, we didn't believe that our payments offering was mature enough to match the requirements you were seeking."*.

If the City's immediate need was for a digital payments solution rather than a broader digital government platform, a competitive procurement for a digital payments solution should have been how the City went to market. (Specific observations related to the Swiss Challenge and potential competitors in the digital payments market that were not specifically notified and did not access the call document are discussed later in this section of the report).

Unsolicited proposals policy requires that a Swiss Challenge be conducted – instead staff initially recommended a sole source

City did not proceed directly with a Swiss Challenge

Where management felt the unsolicited proposal was acceptable, they should have immediately proceeded to prepare a report to City Council requesting authority to apply the "Challenge" approach to invite counter proposals and to outline how the Swiss Challenge would be conducted. Management never brought the unsolicited proposal forward to City Council to ask for authority to proceed with the unsolicited proposal and in what manner (i.e., through a Swiss Challenge or other competitive procurement process).

Staff did not follow policy – instead recommending a non-competitive procurement

Instead, project staff proceeded to conduct a "proof of concept" directly with PayIt.

Management subsequently recommended to City Council that the City enter into a non-competitive contract agreement with PayIt. [Then] senior City management advised us that the City proceeded in this manner because it needed to modernize government, accelerate the digital strategy, and provide better digital service delivery for the City as a whole, because it was really fragmented. COVID was the catalyst that made accelerating delivery even more important, where the City needed a solution that could be deployed within months, not years.

We note that proceeding with a proof of concept and a non-competitive procurement does not adhere to the unsolicited proposals policy. As noted previously, the proof of concept continued even after the [then] Chief Procurement Officer had raised concerns to the project team and senior management about proceeding in this manner, as a proof of concept was not contemplated in the policy and Council authority had not yet been sought for the way forward.

The July 2020 staff report (*EX15.5*), [*Innovation Partnership for Digital Government Platform*](#), indicated that that the proof of concept was liaised through support by the Strategic Partnerships Office. Based on interviews and review of available records, we found that the Strategic Partnerships Office was not involved with the proof of concept, and they were not involved in the staff report recommending a non-competitive contract.

During Council deliberations, Strategic Partnerships Office staff indicated to the City Manager that the policy was not followed

During the City Council deliberations on the item (EX15.5) on July 28, 2020, staff from the Strategic Partnerships Office clearly indicated to the City Manager that "*This did not follow the* [Unsolicited Proposal] *Process. If it had we would have had a Swiss Challenge*" and further that "*We advised* [senior management] *Re this early on*".

Concerned about the non-competitive procurement recommendation, City Council decided to refer item EX15.5 back to the [then] City Manager for further consideration.

Observations related to the Swiss Challenge

Upon referral of EX15.5 back to the [then] City Manager for further consideration, Purchasing & Materials Management Division and Strategic Partnerships Office staff again recommended a Swiss Challenge. The [then] City Manager agreed to move forward with this approach.

In general, the Swiss Challenge was conducted according to the City's procedures

Once staff proceeded with the Swiss Challenge, in general, it was conducted according to the City's [Procedure for Conducting a Swiss Challenge Request for Proposal](#).

A fairness monitor was engaged by the City and provided an opinion indicating, "*Our fairness review was conducted without influence and as of the date of this report, we confirm that we are satisfied that, from a fairness perspective, the processes undertaken related to the Swiss Challenge Negotiated Request for Proposals for the Provision of a Digital Government Platform have been conducted in a fair, open and transparent manner. As Fairness Monitor for this Project, we are satisfied that the City of Toronto has followed the procedures in accordance with the applicable SC-nRFP, and policy documentation and that the participants followed the procedures and fairly applied the evaluation criteria.*"

Fairness monitor reviewed the Swiss Challenge

It should be noted that the fairness monitor only looked at the Swiss Challenge process itself. They did not assess the fairness, openness, and transparency of events leading up to the initiation of the Swiss Challenge.

Areas for continuous improvement	While the Swiss Challenge process followed the City's procedure, we made a few key observations for continuous improvement to strengthen the City's procedure and how it is applied for future Swiss Challenge processes. In particular:

a. Certain competitors identified by staff in the "market assessment" were not notified and invited to participate in the Swiss Challenge

b. Providing additional details on the evaluation scoring criteria could help guide proponents to respond differently to the Swiss Challenge

a) <u>Certain competitors identified by staff in the "market assessment" were not notified and invited to participate in the Swiss Challenge</u>

| Research into market competitors	In February 2020, City staff met with an external consultant to discuss PayIt and other digital government offerings. Based on meeting notes provided by staff, the consultant identified several competitors in the market that offered similar products and services. No formal market assessment report was issued by the consultant. At the time, the consultant told staff that this was an emerging market and they did not have a comparison tool that would compare vendors in this space.
	Based on available records provided for our review, the consultant followed up with several emails providing limited additional details on PayIt with a brief market summary identifying an additional vendors in the digital government technology space. Supporting research was generic to digital government and not specific to PayIt.
Only two of the 12 competitors identified by the City's market research were specifically invited to respond to the Swiss Challenge	Based on available records provided for our review, a total of 12 potential competitors were identified by the City or its consultant as part of their market research. Only two of these vendors were specifically sent an invitation to the Swiss Challenge nRFP. Other companies, not identified in the City's market research, were also sent invitations. The City is not obligated under the City's policy to directly notify potential competitors. As a courtesy (especially for goods and services in niche markets), divisions sometimes provide Purchasing & Materials Management Division staff with a list of known vendors in the market space to be notified of the procurement. It would be in the best interest of the City to include a wide range of competitors to encourage an open, transparent, fair, and competitive process.

The Swiss Challenge nRFP was issued on September 17, 2020. As is the City's standard procedure for all competitive procurement processes, Purchasing & Materials Management Division staff published the Swiss Challenge through the City's online procurement system (SAP Ariba). Additionally, in an effort to draw attention to the Swiss Challenge, the procurement was also announced through the City's social media channel (X, formerly Twitter) prior to its issuance, and again at the time of issuance, as shown in **Figure 1**.

Figure 1: Announcement of the Swiss Challenge Through Social Media (via X, formerly Twitter)
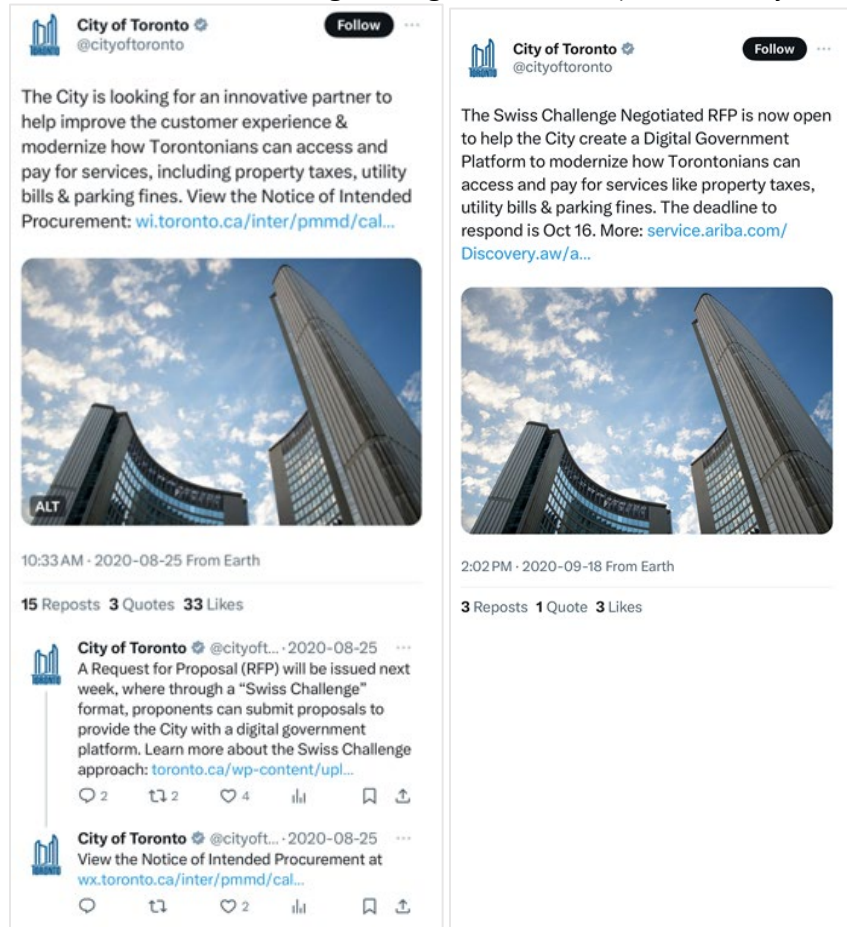
b) Providing additional details on the evaluation scoring criteria could help guide proponents to respond differently to the Swiss Challenge

Evaluating the Swiss Challenge

For the Swiss Challenge, proponents were required to submit their proposals following the guidelines set out in the City's call document (Doc2613823889). **Figure 2** compares the level of detail for the scoring of the evaluation criteria provided to:

- the potential proponents through the SC-nRFP call document
- the evaluation team when conducting the evaluation

Swiss Challenge call document did not provide a detailed scoring breakdown for Stage 2B

As shown in **Figure 2**, the call document did not provide a detailed scoring breakdown to proponents for Stage 2B. This is the Stage where one respondent to the Swiss Challenge failed to meet the minimum score to move on to the next stage.

Figure 2: Comparison of the SC-nRFP Call Document and the SC-nRFP Evaluation Document

Seen by the Proponent		Not seen by the Proponent	
SC-nRFP Call Document		**SC-nRFP Evaluation Team Scoring Guidelines**	
STAGE 2B – Rated Evaluation – Organizational Capabilities	100	**STAGE 2B – Rated Evaluation – Organizational Capabilities** *Item Nos 1 through 3*	100
Item No. 1 – Letter of Introduction	N/A	Letter of Introduction	0
Item No. 2 – Executive Summary	N/A	Executive Summary	0
Item No. 3 – Organizational Capabilities	100	A profile and summary of corporate history	1
• A profile and summary of corporate history		A company-approved Supplier diversity policy	1
• A company-approved Supplier diversity policy that details the Supplier's commitment to an active Supplier diversity program and describes a commitment to providing equitable access to subcontracting opportunities for diverse Supp... demonstrated results of the po...		A company-approved diverse hiring policy	1
		Diverse supplier (evidence of such ...ertification)	1
		Details on organization's experience and ... driving digital adoption	9
• A company-approved diverse h... describing the Supplier's comm... pro-active employment diversi... demonstrated results of the po...		...e platform's capabilities as a ...on to support the rapid ...nd iteration of services	15
• Diverse Supplier: If the Supplie... by a Supplier Diversity Organiz... Supplier should provide evider... certification.		...ccessful implementations that ...tech and Fintech	3
• Provide details on organization's experience and capabilities in driving digital adoption, preferably for public sector customer-facing organizations			
		i. ...ementation duration	6
		ii. Functionalities	6
		iii. Service supported	5
		iv. Success with customer uptake	6
• Provide details on the platform's capabilities as a turnkey solution to support the rapid deployment and iteration of Services Including at a minimum property taxes, parking fines, utilities, and permits		Example 2	
		i. Implementation duration	6
		ii. Functionalities	6
		iii. Service supported	5
		iv. Success with customer uptake	6
• Provide details of successful implementations that intersect Govtech and Fintech		Example 3	
a) What are the total number of implementations in this space that you have successfully completed? (A minimum of three implementations would be required by the City)		i. Implementation duration	6
		ii. Functionalities	6
b) Provide details on three (3) examples to include:		iii. Service supported	5
i. Implementation duration		iv. Success with customer uptake	6
ii. Functionalities			
iii. Services supported			
iv. Success with customer uptake			
Suppliers must score a minimum of 70% in total from Stage 2B, and must be one of a maximum of three top ranked suppliers (excluding the Unsolicited Proposal's Supplier) to advance to Stage 2C.			

Call document did not provide a detailed breakdown of scoring for Stage 2B, Item No. 3 – Organizational Capabilities

Evaluators received a detailed breakdown of scoring for Stage 2B, Item No. 3

The only other proponent to be evaluated for Stage 2B did not meet the minimum scoring requirements	The end result was that the only proponent other than PayIt, that reached this stage of evaluation, did not pass because they did not provide enough information in their proposal (to address the more heavily weighted aspects of Item No.3) and did not meet the minimum required score for Stage 2B. Staff moved forward with PayIt since no other proponents passed Stage 2B for the Swiss Challenge.
The proponent submitted a bid dispute	The proponent that failed to pass Stage 2B submitted a bid dispute indicating that had they been aware that the requirement to provide three examples was worth 69 per cent of the Stage 2B score, they would have spent significantly more time on that item and would have prioritized the customer case studies that were closer in functionality and had quicker deployment timelines.
City's response to the bid dispute	The City's response to the bid dispute indicated *"The assessment of the criteria for Stage 2B, Item No. 3 Organizational Capabilities was based on the City's objective for this criterion, which included that Supplier should demonstrate 'specific knowledge of, and experience in performing similar work for projects of comparable nature, size and scope' (page 106). The requirements used to assess the four (4) components identified for each of the three (3) project examples provided by the Supplier are described in detail in the SC-nRFP. Demonstrated experience on past projects is important to the City and was weighted accordingly"*. Call documents often break down evaluation criteria in less detail than what the evaluation team sees. Purchasing & Materials Management Division staff advised us that, in general, keeping scoring at a higher level encourages suppliers to respond to questions as a whole and not focus on the higher-weighted items.
Providing sufficient detail helps interested vendors better understand how proposals will be evaluated	That being said, this should be balanced against providing a sufficiently detailed breakdown in the call document to help interested vendors to better understand how proposals will be evaluated and assessed and clarify what specific factors are important to the City.
Initial drafts of the Swiss Challenge included more information on the scoring breakdown than the final published call document	We noted that, although initial drafts of the Swiss Challenge nRFP call document included more information on the scoring breakdown, the final published call document had the detailed weighting removed. The final published call document with only the high-level scoring breakdown was supplied to the fairness monitor and the fairness monitor did not raise any issues that it was unfair. It is important to keep in mind that from a fairness perspective, fairness monitors generally focus on whether all potential suppliers receive the same information through the call document and receive equal and consistent treatment throughout the process (e.g., that the same evaluation criteria and scoring methodology is applied consistently to all proponents).

A. 3. Opportunities for Improving the Unsolicited Proposal Policy and Process

Very few unsolicited proposals proceed forward

From 2008 to 2023, the Strategic Partnerships Office received approximately 450 proposals covering a broad range of ideas and initiatives. However, very few proposals have proceeded further, and none were for a project of the size and complexity of the PayIt proposal. Thus, City staff have had limited experience interpreting and applying the unsolicited proposals policy on this scale.

Clarify unsolicited proposals policy and provide additional training

Given that the current policy and process have not been updated since 2007/2008, the lessons learned from the PayIt unsolicited proposal provide an opportunity to revisit the policy and process and make improvements. Additional training should also be provided for City staff to increase awareness on what to do should a potential supplier bring an opportunity to the City, outside of a normal procurement process.

Some areas for potential improvement are detailed below.

Consider establishing additional criteria for considering proposals through the unsolicited proposals process

No limitations or criteria on the nature or type of proposal, project size or scope and delivery model

The policy does not include any limitations or criteria on the nature or type of proposal, project size or scope, and delivery model that can be considered through the unsolicited proposals process. For example, there is no criteria limiting consideration of an unsolicited proposal to pilot or implement a large-scale IT or infrastructure project. Similarly, a project valued at $50,000 and a project valued at $50 million could both currently be eligible for consideration as long as the unsolicited proposal meets the pre-conditions set out in the policy.

Consider whether additional criteria or guidance is needed

In revisiting the unsolicited proposals policy and process the City should consider whether additional criteria or guidance is needed regarding what types of proposal, project size or delivery model, etc. it is willing to consider and whether the Swiss Challenge process is the procurement method that should be used in all circumstances.

Consider expanding the guidance to increase competition

Swiss Challenge is the only procurement method contemplated in the City's unsolicited proposal policy

Currently, the City's unsolicited proposals policy only considers the Swiss Challenge approach to inviting counter quotations or proposals. The Swiss Challenge process is an alternative to the traditional competitive procurement model which still maintains a degree of competitive tension.

However, we note that the City's existing Swiss Challenge process gives the unsolicited supplier the opportunity to match or improve on a superior counter proposal before the City will move on to the competitor who has submitted the counter proposal. As a consequence, other competitors may not be motivated to respond to these types of Swiss Challenge processes. For example, one potential supplier notified the City that they would not bid on this opportunity because they "*felt that it was heavily biased in favor of the original submission by PayIt. As indicated by the RFP documentation, the City was planning on offering PayIt an opportunity to repair their bid submission which would essentially be giving this organization the first right of refusal which, therefore, would position* [potential supplier] *and all other bidders in an insurmountable disadvantage.*"

Policies of other jurisdictions are more flexible

Some other jurisdictions do not limit the transaction and procurement model that can be used when considering an unsolicited proposal. The other jurisdictions give some flexibility to design a transaction and procurement structure that is best suited to delivering the project and protecting the public interest.

Traditional competitive procurement is the preferred method by the Province of Ontario

For example, the Province of Ontario's Unsolicited Proposals Submission and Assessment Guidelines indicate that the government may choose to proceed with any or none of the following transaction processes:

- Traditional competitive procurement – *The Province's guidelines indicate this is the default and preferred method of procurement. The government may consider an appropriate incentive mechanism for the party that submitted the unsolicited proposal (participant) to participate in a competitive procurement such as advancement as a prequalified proponent in a two-stage competitive procurement process. The participant has the right to withdraw its proposal at this stage. However, should the participant withdraw its proposal, the government reserves the right to proceed with a competitive procurement for the concept of the proposal, if it deems this to be in the best interests of the Province.*

- Swiss Challenge/Advance Contract Award Notice – *The Province's guidelines indicate that in proceeding with this type of process, the government publicly posts the rationale for not conducting a traditional competitive procurement.*

- Exclusive contract negotiation – *The Province's guidelines indicate that the government would only choose this procurement route if the unique character of the proposal necessitated such an approach, the proposal could not reasonably be delivered in any other way, or it was otherwise in the public interest. Separately, we noted that City of Vancouver / Vancouver Board of Parks and Recreation undertakes to issue a Notification of Intent to Contract (NOITC) informing all potential contractors that negotiations leading to an award with a named contractor will take place without a competitive process unless others object. If the NOITC results in one or more viable objections, the Park Board may engage in a competitive process, negotiate with one or more firms concurrently, or cancel the entire process.*

In revisiting the unsolicited proposals policy and process, the City can consider additional options to a Swiss Challenge for a transaction and procurement structure best suited to delivering the project and protecting the public interest, while making it clear that other than in exceptional circumstances, a traditional competitive procurement is preferred.

Consider addressing situations where it may be beneficial to conduct a pilot or a proof of concept

In addition, as noted previously, the City's unsolicited proposals policy does not address situations where staff may find it beneficial to conduct a pilot or a proof of concept to assess whether the proposal warrants further consideration under the unsolicited proposals policy framework. Guidance is needed to ensure that any proof of concept or pilot does not give the proponent an unfair advantage or violate any of the pre-conditions for considering the unsolicited proposal such as providing "substantial assistance from the City".

Clarify key terms in the unsolicited proposals policy

As noted in **Section A.2**, there are other areas of the unsolicited proposals policy where the conditions or requirements should be clarified. For example,

Consider further guidance on what would be considered an "upcoming" competitive procurement

- This first pre-condition for an unsolicited quotation or proposal to be considered, is that it does not resemble a current or upcoming competitive procurement that has or will be requested. In revisiting the unsolicited proposals policy and process, the City can consider providing further guidance on what would be considered an "upcoming" competitive procurement and whether this includes initiatives the City is considering but has not yet moved forward with.

Consider further guidance on "substantial assistance" that could be construed to provide the proponent with an unfair advantage	• The second pre-condition for an unsolicited quotation or proposal to be considered is that it does not require substantial assistance from the City to complete the quotation or proposal. In revisiting the unsolicited proposals policy and process, the City can consider providing further guidance or clarification on the extent to which any assistance provided could be construed to have compromised the independence of the proponent's proposal or provided the proponent with an unfair advantage.
Consider further guidance on what evidence must be obtained to verify whether the goods and services are "readily available"	• The third pre-condition for an unsolicited quotation or proposal to be considered, is that it is not considered if the goods or services are readily available from other sources. In revisiting the unsolicited proposals policy and process, the City can consider providing further guidance or clarification on what evidence must be obtained to verify whether the goods and services are "readily available". In addition, the City may want to make it clear that if there is even one potential competitor, that a normal competitive procurement process may be more appropriate.

Recommendations:

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.

B. Expected Benefits and Outcomes Were Not Fully Realized

B. 1. Key Outcomes Underpinning the Business Case for PayIt Were Not Fully Achieved

Intent was to transform how the public interacts with the City and drive a consistent City-wide digital customer service experience	In July 2020, when staff recommended that City Council authorize a non-competitive contract with PayIt, the staff report (EX15.5), *Innovation Partnership for Digital Government Platform*, stated the PayIt digital government platform approach would transform how the public interacted with the City and drive a consistent City-wide digital customer service experience. Subsequent staff reports also detailed a number of intended outcomes and benefits to the City – outcomes which were fundamental to the business case for moving forward with PayIt. It is our view, that the reports could have presented a more realistic and transparent picture of the actual outcomes that could be achieved by the City within the timeframes indicated in the reports.
Achievements included in November 2023 staff report	In a November 2023 staff report to the General Government Committee (GG8.23), *Innovative Partnership to Accelerate Digital Services with Payments (response and report-back to motion 23.2 May 20, 2021)*, management provided an update on the implementation of MyToronto Pay, a City-branded and customized version of PayIt, which included the launch of e-billing and pre-authorized payments for property tax and utilities on the platform. Achievements highlighted by management in the report included:

- The ability for PayIt users to save payment preferences in a wallet, schedule payments and receive email notifications and confirmations
- 24/7 customer support for PayIt users
- Reduction of misapplied payments, and time and effort to process refunds for PayIt users
- Reduction in mail and handling for PayIt users who have elected to use e-billing
- Reporting and reconciliation of funds for payments processed through PayIt *(although this is an additional transaction stream the City needs to reconcile in addition to existing streams)*
- Transferring accountability of payment card industry (PCI) compliance in part to PayIt *(although accountability remains with the City for processing that occurs outside of PayIt)*
- Increased timeliness of payments with features such as proactive notification and reminders, pre-authorized payments, and e-billing for PayIt users
- Customer support cost avoidance for PayIt users

Many of the intended outcomes were not fully achieved

Table 1 summarizes some of the key benefits and outcomes expected and whether the outcomes have been achieved to date, according to the timeframes in the original staff reports. Achieving many of the potential or intended outcomes was contingent on building out MyToronto Pay, beginning with five key services in year 1 with the launch of services for property tax, utilities, parking fines, City Planning development fees, and Toronto Building fees, with the possibility of moving forward with other services such as business licences and permits, pet licences, film permits, parking permits, and transportation permits in year 2. To date after three years, three key services have been implemented: property tax, utilities, and parking fines.

Table 1: Summary of Key Benefits and Outcomes Included in PayIt Digital Government Business Case

Potential or Intended Outcome Included in Staff Reports	Progress Legend: ● Fully Achieved ◐ Partially Achieved ○ Not Achieved
Building out this partnership beginning with five key services in year 1 with the launch of services for property tax, utilities, parking fines, City Planning development fees, and Toronto Building fees. Possible expansion of the service to payment of other City fees and fines, and other City services such as film permits, parking permits, and transportation permits, commencing in the second year of the initial term.	◐ Property tax, utilities, and parking fines implemented. No other services (including City Planning development fees and Toronto Building fees) are currently planned for implementation. **Refer to additional discussion on customer experience in Section B.2**
Improved Customer Experience & Payment Centralization – The entire customer journey will be offered online without the need for in-person visits, while retaining non-digital channels for those who need it. Residents, businesses, and visitors will be provided with a unified digital experience – one identity and account, single sign on and password, one digital wallet, one contact for notifications and personalized e-bills, for example. This will improve the current fragmented experience people have navigating City services from one division to another.	◐ Customer experience remains fragmented from one division to another. Unified digital experience is limited to property taxes, utilities, and parking violations. **Refer to additional discussion on customer experience in Section B.2**
More Payment Options – Multiple payment options provided to customers in a standardized way across the City, such as credit and debit card payments, and an equally free option in electronic funds transfer (EFT), while phasing out more costly forms of payment, such as cash and cheques, respecting access and equity concerns.	◐ Limited expansion/uptake of new payment options. All existing payment methods remain available. Payment standardization limited to the Revenue Services Division. **Refer to additional discussion on uptake in Section B.3**

Potential or Intended Outcome Included in Staff Reports	Progress *Legend:* ● *Fully Achieved* ◐ *Partially Achieved* ○ *Not Achieved*
Savings and cost avoidance in the many millions of dollars • Savings resulting from the standardization and centralization of revenue collection, billing and reconciliation. Reducing number of payment processes, touchpoint and system payment components, down from the 22 to 9 payment systems, over time • Savings / operational efficiencies from reduction in counter volumes, mailing, and customer calls • Savings resulting from the elimination of credit card fees borne by the City • Reduced PCI compliance costs • Additional 'upside' from monetizing the City's brand and product development, for example in the form of a ceiling once a threshold has been achieved.	○ Limited savings / operational efficiencies / reduced compliance costs as most pre-existing payment processes and systems remain in place. Duplicate payment methods available (for parking violations). Counter services are still open and hours remain the same as before. Customer (taxpayer) bears the cost of credit card fees. Contract addendums reduced some payment processing fees. **Refer to additional discussion on forecasted return on investment in Section B.3**
Capital and sustainment cost avoidance – PayIt fronts the capital investment for development and integration of the platform and will cover costs of technical and customer support services. This differs from traditional contracts where the City bears all of the risk when projects fail or go over budget. PayIt is paid on a per transaction basis only when a customer makes a payment to the City via the Platform.	● Technology Services Division still needed to invest resources to build the new API (Application Programming Interface) and infrastructure to deliver the new API to connect the PayIt platform with back-end systems. **Refer to additional discussion on fees and charges paid to PayIt in Section B.3**
PayIt will be responsible for the **deployment, hosting, configuration, integration, testing, management, training, and ongoing support** of the Platform for City services.	◐ **Refer to additional discussion on monitoring of contract compliance in Section B.4**

Potential or Intended Outcome Included in Staff Reports	Progress Legend: ● *Fully Achieved* ◑ *Partially Achieved* ○ *Not Achieved*
Technology Scale, Acceleration, & Interoperability – An integrated platform will enable rapid deployment of payment and digital services across the City. Benefits include scale, standardization, acceleration, and access to industry-leading 'best of breed' features.	◑ Deployment was not as rapid as originally intended (i.e., plans to launch property tax, utility bill, and parking violation payments in summer 2021 were not met). MyToronto Pay launched in February 2022 with two services: property tax and utility bill payments. Parking ticket payments through MyToronto Pay launched in May 2022. Integration, standardization, acceleration to deploy payment and digital services to other areas of the City was not achieved.
PayIt is required to adhere to the **privacy, information, and data security** policies set by the City.	◑ **Refer to additional discussion on monitoring of contract compliance in Section B.4**
Reduced likelihood of supplier lock-in – The agreement with PayIt is flexible and includes provisions to reduce the likelihood of 'vendor lock-in'. Ability to de-couple the system, i.e., the Platform will be designed as a modular piece that can easily be replaced by an alternative supplier. This means that if the City needs to exit, these interfaces could be used by a different supplier in the future, or even by an internal City team to build a services and payments platform in-house, if desired.	● Management has assured City Council that the City can de-couple from PayIt[25]. **Refer to additional discussion on supplier lock-in in Section B.2**
The City has also negotiated **revenue generation opportunities** – PayIt will pay an adoption fee to the City when City Agencies and Corporations or Broader Public Sector entities (such as other municipalities, agencies, or the Province) enter into an adoption agreement with PayIt for PayIt services.	○ Commercialization benefits not realized to date as the City was focusing on product development first and did not engage in business development activities with PayIt

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[25] In response to the question regarding whether *"the software architecture of their* [PayIt] *product would not lock us* [the City] *into a circumstance where it would become difficult and take a long time to go to another vendor"* raised during City Council's consideration of the report, Innovative Partnership to Accelerate Digital Services with Payments, ([2024.GG13.16](#)) on June 27, 2024, the Chief Technology Officer assured City Council *"That is correct, and that remains true".* Refer to https://youtu.be/HBIqf7SHjpY?t=5712. The City's ability to actually de-couple from PayIt, including an assessment of the effort and resources it will take to move to another vendor, was not included within the scope of this audit.

In our view, City Council could have been presented with a more balanced business case presenting outcomes that could realistically be achieved within the time frames desired, as well as potential risks, drawbacks, and disadvantages.

Certain key outcomes included in the business case that were not achieved are discussed in the sections that follow.

B. 2. Customer Experience Remains Fragmented

Staff report highlighted that PayIt could enable a One TO Experience

In the April 2021 staff report (EX23.2), *Innovative Partnership to Accelerate Digital Services with Payments*, recommending the award of a contract to PayIt, and as shown in **Figure 3** below, staff indicated that the City's customer experience was fragmented.

Figure 3: Existing Current Resident Experience, as reported by City Staff
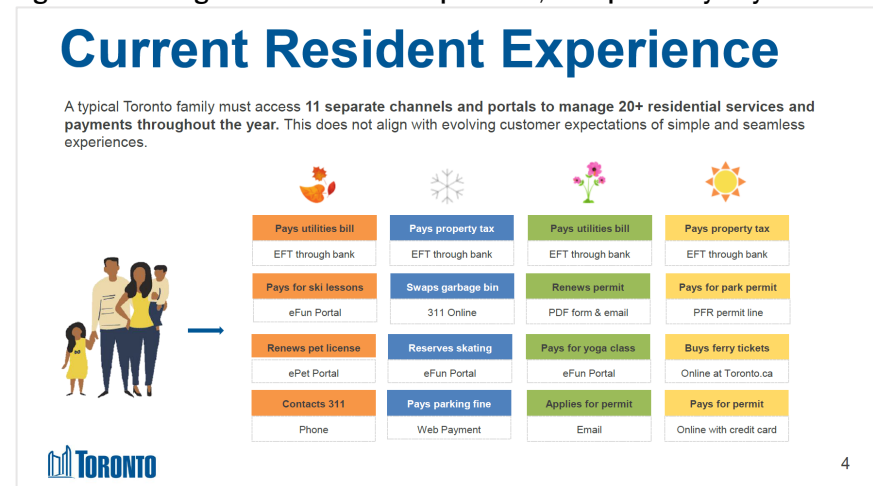
Source: Excerpted from staff presentation to Executive Committee on April 29, 2021 Innovative Partnership to Accelerate Digital Services with Payments (toronto.ca)

The report highlighted that residents, businesses, and visitors to Toronto wanted a simple, consistent, and connected experience with the City. As shown in **Figure 4** below, staff advised City Council that PayIt could enable a "One TO Experience" by offering all types of payments through a personalized digital experience for citizens.

Figure 4: One TO Experience Enabled by PayIt, as reported by City Staff
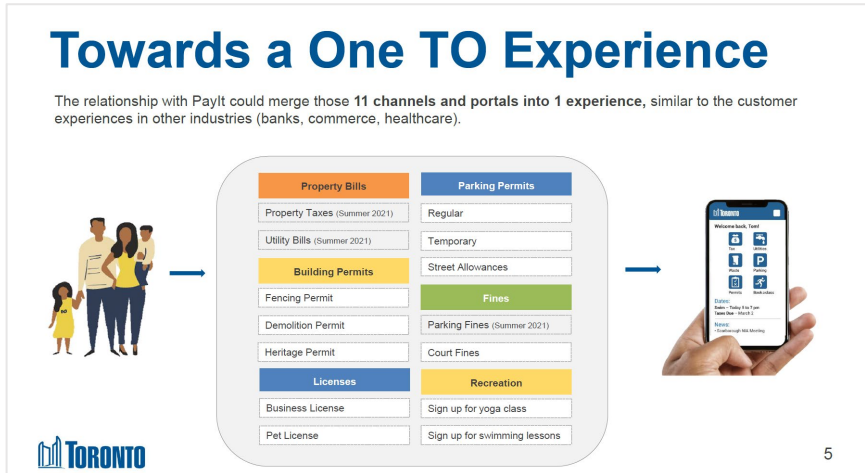
Source: Excerpted from staff presentation to Executive Committee on April 29, 2021
Innovative Partnership to Accelerate Digital Services with Payments (toronto.ca)

Staff reported that 12 City services would be integrated into PayIt by end of Year 3 (2023/4)

As shown in **Figure 5**, City staff reported that integration of the PayIt Platform would be undertaken in four phases over the course of 2021 and 2022, with integration of all phases before the end of Year 3 of the agreement. The report indicated the City had the discretion to add further services to the four phases or in the future.

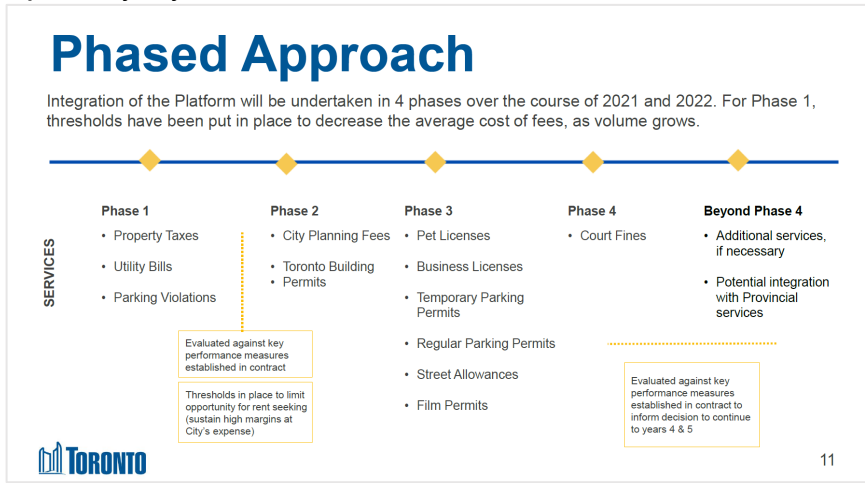**Figure 5: Phased Approach to PayIt Integration over 2021-2022, as reported by City Staff**

Source: Excerpted from staff presentation to Executive Committee on April 29, 2021
Innovative Partnership to Accelerate Digital Services with Payments (toronto.ca)

City Planning, Toronto Building, and Municipal Licensing and Standards indicated they were not involved in planning for PayIt's implementation

The Revenue Services Division was integrally involved in plans to adopt the PayIt platform for property taxes, utility bills, and parking violations. However, we were advised by management in the City Planning, Toronto Building, and Municipal Licensing and Standards divisions (three key divisions responsible for services identified to be integrated in Phase 2 and 3), that they were not involved in and did not provide substantive input[26] into any of the plans for PayIt implementation. In fact, one Division advised us that *"While we were identified ... as a future opportunity for online payments, we* [the division] *were not consulted nor interested in participating ...* [we] *are able to receive payments electronically and do not require this platform to facilitate online payments*."

Customer experience remains fragmented

After three years, the customer experience remains fragmented and payment services remain separate across the City.

The business case for a unified customer experience and return on investment were heavily reliant on achieving a broader City-wide integration of PayIt. However, management advised that, internally, there was hesitation to further integrate PayIt beyond the Revenue Services Division because of the concerns raised by City Council at the time the contract award was approved. In particular, concerns that further integration reduced the flexibility to de-couple from PayIt and increased the risk of being locked-in with one vendor.

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[26] Certain Divisions were asked for information in order to model a return on investment. In addition, the Senior Leadership Team was briefed on the July 2020 report (EX15.5), *Innovative Partnership for Digital Government Platform*.

In January 2021, the Senior Leadership Team forwarded a briefing note to their Senior Management Teams (Division Heads) providing an update on PayIt. We note that this briefing note indicates a phased scope yet to be confirmed. It indicates *"Based on the success of phase 1 (Revenue Services), the City will work with divisions to scale the approach, gradually integrating a range of residential City services, such as permits and licensing, program registrations and more based on 'persona driven' customer journeys (such as residents and families)."*

In contrast, we note that, in communicating plans to City Council, the April 2021 staff report (2021.EX23.2) states *"Integration of the Platform will be undertaken in 4 phases over the course of 2021 and 2022, with integration of all phases before the end of Year 3 of the agreement."* There was no buy-in or commitment from these Divisions to participate in PayIt's implementation prior to the business case being put forward to City Council.

2023 report indicated that the approach to implementing PayIt was less ambitious than the approach reported in 2021	For over two years, there were no updates to City Council to reflect the decision not to integrate PayIt across services. It was only through the November 2023 staff report to the General Government Committee (GG8.23), *Innovative Partnership to Accelerate Digital Services with Payments (response and report-back to motion 23.2 May 20, 2021)*, that Management indicated that the approach implemented with PayIt was more measured and less ambitious than detailed in the April 2021 report. There were four reasons for this:

a) Efforts required to integrate and customize the PayIt platform

b) City capacity and prioritization of other priority IT initiatives

c) City's evolving strategy towards a 'One TO' experience and how PayIt fits in

d) Responding to concerns from Council, specifically vendor-lock-in

B. 3. Forecasted Return on Investment Not Achieved

Staff reported the City would realize an $11 million ROI over a five-year term	In the April 2021 staff report, City staff reported that they conservatively estimated that the City would realize a return on investment (ROI) of approximately $11 million over a five-year term, net of fees paid to PayIt.
	Staff estimated savings would come from a reduction in in-person payments, mail outs, credit card service fees to the current payment provider, revenue processing and reconciliation, and a rationalization of technology.
Expected savings and efficiencies not achieved	As noted in **Section B.1**, the City has achieved limited savings, operational efficiencies, and reduced compliance costs, as most pre-existing payment processes and systems remain in place. Counter services are still open and hours remain the same as before.
	The estimated cost savings and efficiencies that formed part of the business case for PayIt were not realistically achievable, given that there was lack of buy-in to implement PayIt from all the divisions, programs, and services included in Phases 2 to 4.
	City staff have not been able to provide us with the actual ROI achieved over the first three years of the contract.
	Adoption rate of PayIt (MyToronto Pay) for property taxes and utility bills
94% of residents and business paid property taxes and utility bills through their banks (at the end of 2021)	Prior to the launch of PayIt (at the end of 2021), approximately 94 per cent of residents and businesses paid their property taxes and utility bills through their banks (via online banking, mortgages, or pre-authorized payments), with the remainder primarily mailing in cheques to the City. Paying by credit card was not an option.

The launch of the PayIt platform introduced new options to pay property taxes and utility bills by credit card, debit card, or electronic funds transfer (EFT). A comparison of payment options that were already available before PayIt and the new payment options introduced through PayIt is included in **Exhibit 3**.

City forecasted a 10% adoption rate

The City's model forecasted a 10 per cent adoption rate for property taxes and utility bills for the first couple of years of the contract since shifting customer behaviours from current methods of payment (through their bank) to a new platform was expected to take time.

The City negotiated a limit to PayIt transaction fees for property taxes and utility bills once the adoption rate for these services reached 10 per cent. Once this threshold has been met, transaction fees would no longer be charged to the City. There are no limits on transaction fees charged for parking violations. For more details on transaction fees see **Exhibit 2**.

Adoption rate for property taxes and utility bills is in the range of 5-7%

As summarized in **Table 2**, based on data provided by the Revenue Services Division, as of July 2024, the adoption rate for property taxes is approximately 6.4 per cent for 2024. For utility bills, the adoption rate is about 5.3 per cent for 2024. With the ongoing marketing of MyToronto Pay (e.g., pamphlets included with property tax and utility bills), awareness of PayIt has grown and the adoption rate for property tax and utilities has increased year over year.

According to a November 2023 staff report[27] to General Government Committee, the adoption rates for Phase 1 were much lower than forecasted because *"the City did not direct volumes solely to* [MyToronto Pay] *as originally intended, but instead positioned it as an alternative payment option to traditional channels…resulted in lower adoption rates of 3-5% for property and utility payments* [up to September 30, 2023]*."*

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[27] [Innovative Partnership to Accelerate Digital Services with Payments (response and report-back to motion 23.2 May 20, 2021) (toronto.ca)](#)

Table 2: Adoption Rates for Property Taxes and Utility Bills

Adoption Rate (as a % of total property tax / utility bill amounts paid)[28]	2023	YTD July 31, 2024
Property taxes	3.3%	6.4%
Utility bills	3.3%	5.3%

Adoption rate of PayIt (MyToronto Pay) for parking violations

Parking tickets could already be paid online using credit cards

Prior to the launch of PayIt, parking violations could already be paid online using credit cards, as well as by mail and in-person. Staff assumed parking volumes would be fully migrated to MyToronto Pay in its entirety.

Adoption rate for parking violations was lower than forecasted

Given that the City did not direct volumes solely to MyToronto Pay as originally intended, but instead positioned it as an alternative payment option to traditional channels, the adoption rates for parking violations were lower than forecasted. According to a November 2023 staff report[29] to the General Government Committee the adoption rates for parking fine payments was only about 30 per cent.

Table 3: Adoption Rates for Parking Tickets

Adoption Rate[30]	2023	YTD July 31, 2024
Parking Violations	30.59%	30.84%

Fees Paid to PayIt

Approximately $8.4 million in fees paid to PayIt through July 2024

As of July 2024, an estimated $8.4 million in fees has been paid to PayIt by the City or its customers ($3.8 million in transaction and processing fees paid by the City and an estimated $4.6 million in processing fees paid directly by its customers).

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[28] In the May 2024 staff report, Innovative Partnership to Accelerate Digital Services with Payments (toronto.ca) adoption rates reported by staff were calculated differently. Adoption Property Tax(%) (or Adoption Utilities Bills(%)) was calculated based on total property taxes (or utility bill payments) collected through PayIt as a proportion of total property taxes (or utility bills) collected excluding property taxes (or utility bill payments) collected through legacy pre-authorized payments and mortgages. Variances between the adoption rates calculated by the Auditor General's Office and City staff are due to how staff calculated the overall transactions for each service. The staff reported adoption rates exclude the following channels when calculating overall transactions for each service: Transactions made through mortgage payments; Transactions made through legacy pre-authorized payment plan. These transactions were excluded because staff believe there is little to no chance of they will be converted to use MyToronto Pay. Based on the methodology used by staff in the May 2024 report, adoption rates for Property Taxes and Utility Bills were 5.5%, and 4.1% for 2023 (respectively) and 9.2%, and 6.7% for year-to-July 2024 (respectively).
[29] Innovative Partnership to Accelerate Digital Services with Payments (response and report-back to motion 23.2 May 20, 2021) (toronto.ca)
[30] The adoption rate is based on payments through MyToronto Pay as a percentage of overall parking violation payment transactions.

Although the City no longer pays credit card processing fees if customers use PayIt, these fees are passed on to the customer

It is important to note that although the City no longer pays the credit card processing fees, the passing on of credit card fees that were previously paid by the City to the customer does not yield direct savings to the end user (taxpayer). As noted below in the *Case Study: Parking Tickets*, there is actually a higher overall direct cost to the end user when transactions are processed through PayIt.

Case Study: Parking Tickets

Given that most of the payment methods for parking violations were already available to the public even before the PayIt implementation, we examined the fees the City would have paid to process transactions outside of PayIt (through its other pre-existing online payment processing provider) compared to the cost the City and its customers are now paying to use PayIt to process transactions.

City / customer (taxpayer) paid about $1.4 million more when parking tickets were paid by credit card through PayIt

As shown in **Table 4**, on approximately 866,000 parking tickets totaling about $50.4 million paid via credit card through PayIt from January 2022 to July 2024, we estimate PayIt received about $2.7 million in fees compared to the nearly $1.3 million it would have cost the City (and ultimately the taxpayers) had those transactions been processed directly through the pre-existing City portal. This shows that, to date, the total cost to the customer / taxpayer is about $1.4 million more to process parking tickets paid by credit card using PayIt. Management advised that this is partially due to the services which are included in the PayIt fees, such as technology costs, end-to-end experience, reporting, automated refund processing, compliance and customer support.

Table 4: Estimated Fee Difference for Parking Tickets from January 2022 to July 2024 (Credit Card Transactions Only)

	Estimated fees paid to PayIt when PayIt processes	Estimated fees City would pay if processed through City Portal	Difference
Transaction Fee	$1,515,500	$11,690	$1,503,810
Processing Fee[31]	$1,184,400	$1,275,120	$(90,720)
Total	$2,699,900	$1,286,810	$1,413,090

B. 4. Monitoring of Contract Compliance

Contract includes service level expectations

The contract with PayIt outlines expectations and service levels PayIt has agreed to meet or exceed. Monitoring of PayIt's performance requires collaboration between different City divisions to ensure compliance with contract terms.

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[31] As part of a class action lawsuit settlement, Visa and Mastercard have agreed to allow merchants to decide if they want to pass on the cost of accepting credit cards to their customers. Meaning, effective October 6, 2022, the City had the option to pass on the merchant fee (processing fee) to the customer in the same manner this fee is charged by PayIt to the customer.

Management advised that there are three key areas for monitoring contract compliance:

1) Financial reports that support reconciliation of payments and reporting

2) Technical performance and compliance with agreed upon standards, including security and privacy metrics

3) Operational performance, adoption, and customer satisfaction and efficiency

Divisions did not have a clear understanding of who was responsible for monitoring performance

When asked about who was responsible for monitoring PayIt's service level performance and contract compliance, some divisions were clear on which areas they monitored. For example, the Revenue Services Division monitors financial reports that support reconciliation of payments. The Customer Experience Division monitors operational performance, adoption, and customer satisfaction and efficiency. While other divisions gave conflicting responses, were unaware of the reporting requirements of PayIt, or were unsure who at the City was receiving and reviewing the required performance reports.

Divisional management were also not fully clear who has overall ownership of the contract. There are no clear guidelines or protocols outlining each division's responsibilities for ensuring contract compliance and monitoring of the achievement of required service levels.

City did not track complaints in a way that enabled analysis of calls related to PayIt

Management advised that complaints or support calls about MyToronto Pay are received through 311 or the Revenue Services Division support line for property taxes and utilities. Staff were not able to identify and analyze complaints or calls related to MyToronto Pay using data sets logged by 311 or the Revenue Services Division. For this audit, the Revenue Services Division was only able to identify certain specific complaints that were escalated. At the time of the audit, there was no log to track escalated complaints.

PayIt reports having received no complaints since the launch of MyToronto Pay in 2022

Residents, businesses, and visitors to Toronto that are PayIt users can submit complaints and obtain support through the PayIt application or by calling into PayIt's 24/7 call center or by emailing PayIt Support. Management advised that PayIt does not log the details of calls, they only track the type of call. As summarized in **Table 5** below, PayIt directly responds to the majority of support calls. These calls typically relate to profile management (e.g., password resets), assistance with making payments, and requests for confirmation of payment / resending of receipts. Some calls need to be passed on to the City because the PayIt Support Team does not have the authority to answer. Management advised that PayIt reports having received no complaints[32] since the launch of MyToronto Pay in 2022. PayIt reported that, as at July 2024, 59 percent of users said they would recommend the service to family or friends.

Table 5: Total Number of Support Calls Received, by Category

Categories	2022		2023		YTD June 2024	
Profile Management	291	15%	922	14%	1,529	26%
Payment Confirmation	279	14%	877	14%	882	15%
Receipt Question					253	4%
Refund Request	31	2%	95	1%	88	1%
Assist to Pay	884	46%	3,565	56%	2,272	39%
City Staff Required	447	23%	946	15%	850	14%
Complaints	-	0%	-	0%	-	0%

Source: PayIt information provided by City Management

The Revenue Services Division advised that although not all the issues or complaints have been logged and tracked, they have observed the following common themes in the calls they received:

- Confusion between the two separate pre-authorized payment systems (City's in-house vs. PayIt), where the customer had thought they were paying the City of Toronto directly.

- All the City's web information pushes clients to MyToronto Pay, even existing pre-authorized payment clients through the City who want to change bank information or instalment plan.

- That an American company is the vendor (Note: MyToronto Pay data is contractually required to be held in Canada)

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[32] According to management, PayIt's definition of a complaint is considered outreach regarding a MyToronto Pay feature or functionality that is dissatisfactory or unacceptable.

Improved tracking of complaints is needed to support service excellence	The City's ability to analyze existing complaints data was limited because, at the time of our audit, there was no complete logging or tracking of the details of questions, concerns, issues, or complaints received by PayIt or directly by the City. The City should improve how it tracks and logs complaint information to be able to leverage data to improve service delivery to residents, businesses, and visitors.

B. 5. Need for a Robust Governance Framework for City-Wide Technology Projects

Lessons learned from the PayIt implementation, as well as other City-wide technology projects	The lessons learned from the PayIt implementation (and the challenges in obtaining buy-in to integrate the platform City-wide), as well as other City-wide technology projects like the implementation of the City's Enterprise Work Management Solution (EWMS), highlight that the City needs to improve the way it plans, governs, and executes its large, City-wide technology projects. Each enterprise-wide project needs to have a project lead who has overall ownership of project delivery and sustainment, as well as accountability for ensuring the program mandate is clearly defined, communicated, and agreed upon with all stakeholders. All program partners must be engaged in defining and supporting the achievement of budget / return on investment, scope, timelines, and key deliverables, as well as program risks, assumptions, and constraints.
A robust governance framework is needed for City-wide technology projects	As noted in the Auditor General's report on the *Audit of the Enterprise Work Management Solution (EWMS): Lessons Learned for Future Large Information Technology Projects*[33], these issues are not new – the Auditor General has raised concerns about information technology project planning, governance, and execution in previous reports[34]. The recommendations in the EWMS audit report included practices and controls that should be implemented as part of an overall governance framework for all City-wide technology projects.
Addressing governance when moving forward with the City's digital payments strategy	The May 2024 staff report (GG13.16), *Innovative Partnership to Accelerate Digital Services with Payments*, indicates that the Customer Experience Division will be driving a comprehensive and common approach for the City's digital payments strategy, in collaboration with the Technology Services Division and key business divisions with payment services across the City. The report indicates that the current focus of this work is to understand digital payment systems, objectives, and opportunities across the organization to develop and scale a digital payments capability that delivers on customer, operational and technological needs in order to develop requirements and plan for a competitive procurement process with the upcoming expiry of the current PayIt contract.

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[33] Agenda Item History - 2023.AU3.4 (toronto.ca)
[34] Exhibit 1 of the report, Audit of the Enterprise Work Management Solution (EWMS): Lessons Learned for Future Large Information Technology Projects (toronto.ca), provides a list of these previous reports and relevant recommendations.

Going forward, as the City looks to enhance and refine its digital payments vision, as part of a broader strategy to modernize its public services and adapt to evolving customer expectations for digital services, it is important that a robust governance framework be implemented.

Recommendations:

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 PayIt 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 PayIt 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 PayIt's performance and for receiving and reviewing reports, underlying source data, and other deliverables that demonstrate PayIt'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 PayIt 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.

C. Records Supporting Key Decisions Were Not Properly Retained

Most senior management involved in key decisions are no longer with the City

At the time our audit was conducted, most of the senior management and staff involved in key decisions with respect to the PayIt unsolicited proposal, proof of concept, and implementation plan were no longer working for the City.

Insufficient records of discussions, decisions, directions from internal meetings

Based on interviews with current staff, many of the internal discussions on key concerns and/or decisions with respect to the unsolicited proposal and the procurement process were made during internal meetings. However, when we asked staff to provide minutes for key meetings or other records related to key decisions and discussions, staff were generally unable to provide such records to us for review. Consequently, as noted previously, it is difficult to confirm how questions and concerns raised regarding the treatment of PayIt proposal and compliance with the unsolicited proposals policy were addressed and resolved.

PayIt unsolicited proposal file is incomplete

The Process for Receiving and Reviewing Unsolicited Quotations and Proposals requires that all communication between Strategic Partnerships staff and the proponent must be documented in writing, and, for audit purposes, retained on file.

The Strategic Partnerships Office did not retain complete records to evidence the proper completion of each stage of the unsolicited proposals process. They could not provide us with documents showing proper procedures were followed, meeting minutes, or other documents to support their involvement. This includes documentation of their initial assessment as to whether the PayIt proposal met the pre-conditions and their conclusion (Stage 1 – Strategic Partnerships Review of the Concept Plan).

Staff from the Strategic Partnerships Office stated, "[Strategic Partnerships] *was not involved in any divisional evaluation of the merits of the submission*" (Stage 2 – Division Review of the Concept Plan); and "*Our records indicate that* [Strategic Partnerships] *was not involved in this process*" (Stage 3 – Submission of a Detailed Quotation/Proposal). Therefore, there were no records available to verify that Stages 2 and 3 of the policy were followed.

It is incumbent on management and staff to ensure record are retained to support key decisions. Given the unusual nature of the PayIt proposal, we expected better record retention to support key decisions.

Recommendations:

8. **City Council request the City Manager to ensure the Strategic Partnerships Office enforces adherence to the City's Unsolicited Quotations for 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.**

Conclusion

Unsolicited proposals should not be allowed to circumvent the City's procurement process

In 2007, the City introduced its policy for unsolicited quotations for proposals. The purpose of the policy was to set out expectations for how divisions were to respond to unsolicited quotations or proposals in a manner that ensured transparency, fairness, best value for the City and to provide guidance to vendors on the submission of unsolicited quotations or proposals to the City.

Audit findings reinforce the importance of management's leadership and commitment to ensuring openness, fairness and transparency in City procurement

The policy makes it clear that unsolicited quotations or proposals should not be allowed to circumvent the City's procurement process. This audit report reinforces the importance of management's leadership and commitment to ensuring openness, fairness and transparency in procurement. This audit concludes that:

- The City did not properly follow the unsolicited proposals policy and process. This includes:

  - not ensuring pre-conditions for considering an unsolicited proposal have been clearly met

  - not properly obtaining City Council's authority on the way forward for the unsolicited proposal, and instead proceeding with a proof of concept and subsequently recommending a non-competitive contract award

  - not retaining complete records of key decisions

- The City's implementation of the PayIt platform did not fully achieve the intended financial and non-financial outcomes and benefits (as reported to City Council). While a number of accomplishments have been made to implement PayIt as an option for electronic billing and payment of property taxes, utilities, and parking tickets, the outcomes and benefits ultimately fell short of expectations. This is largely because:

  - the business case relied heavily on PayIt becoming an enterprise-wide system that would unify services and the customer experience across multiple divisions and services

  - at the time the business case was put forward to City Council for approval, buy-in and commitment had not been obtained from key divisions other than the Revenue Services Division

Nine recommendations

The nine recommendations in this report are aimed at strengthening the oversight and policy and process for receiving, reviewing, and responding to unsolicited proposals.

Implementing the recommendations will also 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 report also highlights the need for 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.

Audit Objectives, Scope and Methodology

City Council requested a review of the Strategic Partnerships Office in February 2021

Audit of the unsolicited proposal for the PayIt Platform was included in the 2023 Work Plan

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, PayIt. At that time, City Council adopted a motion requesting the Auditor General to consider a review of the Strategic Partnerships Office as part of the next Auditor General's Annual Work Plan, with a focus on its relationship to public procurement[35]. An audit was subsequently added to the Auditor General's Work Plan[36].

Audit Objectives

The objective of this audit was to review the procurement of the PayIt platform and outcomes achieved to date. This audit aimed to answer the following questions:

- Did the procurement with PayIt properly follow the City's policy and process for unsolicited proposals?

- Did the implementation of the PayIt platform achieve the intended financial and non-financial outcomes and benefits (as reported to City Council)?

Scope

This audit focused on reviewing the procurement and implementation of the PayIt platform, which covered the period from 2019 to 2023.

This audit did not include a review of the registration of potential lobbying matters and compliance with Toronto Municipal Code Chapter 140, Lobbying and City of Toronto Act sections 168 and 169, as inquiries into the registration of lobbying and compliance with the system of registration fall under the jurisdiction of the City's Lobbyist Registrar.

Similarly, this audit did not include a review of any potential involvement or conduct of members of City Council, as inquiries into the application of the Code of Conduct for Members of Council, the application of any procedures, rules and policies of the City governing the ethical behaviour of members of City Council, and the application of sections 5, 5.1, 5.2 and 5.3 of the Municipal Conflict of Interest Act to members of City Council fall under the jurisdiction of the City's Integrity Commissioner.

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[35] Agenda Item History - 2021.DM30.1 (toronto.ca)
[36] Auditor General's Office 2022 Work Plan (toronto.ca) (Project Horizon for 2022-2023) and Auditor General's Office 2023 Work Plan (toronto.ca)

Limitations	At the time our audit was conducted, most of the key senior management and staff involved in key decisions with respect to the PayIt unsolicited proposal, proof of concept, and implementation plan were no longer working for the City. As noted in **Section C**, not all records supporting key decisions were properly retained. Therefore, our findings and conclusions are largely based on interviews with management and staff that were still working for the City at the time of our audit and the information and data made available for our review, including records provided by the City Manager's Office (which includes the Strategic Partnerships Office), Revenue Services Division, Technology Services Division, Purchasing & Materials Management Division, and the former Chief Procurement Officer.
	Should further information on the procurement come to our attention in the future, additional findings and recommendations may be reported upon separately in the future, either to the Audit Committee or through a letter to the City Manager.
Methodology	Our audit methodology included the following:

- Reviewing relevant staff reports related to the PayIt proposal
  - Innovative Partnership for Digital Government Platform (2020.EX15.5)
  - Swiss Challenge Negotiated Request for Proposals for a Digital Government Platform (2021.DM30.1)
  - Innovative Partnership to Accelerate Digital Services with Payments (2021.EX23.2)
  - Innovative Partnership to Accelerate Digital Services with Payments (response and report-back to motion 23.2 May 20, 2021) (2023.GG8.23)
  - Innovative Partnership to Accelerate Digital Services with Payments(2024.GG13.16)

- Watching City Council and committee meetings where relevant staff reports were considered

- Reviewing policy requirements, procedures, and guidelines relevant to the proposal including:
  - Unsolicited Quotations for Proposals Policy
  - Process for Receiving and Reviewing Unsolicited Quotations and Proposals
  - Conducting a Swiss Challenge Request for Proposal
  - Non-competitive Procurement
  - Toronto Municipal Code, Chapter 195, Purchasing

- Reviewing unsolicited proposal policies and procedures adopted by other jurisdictions

- Conducting interviews and/or inquiries of staff from the Strategic Partnerships Office, Customer Experience (311) Division, Technology Services Division, Office of the Chief Information Security Officer (CISO), Purchasing and Materials Management Division, and Revenue Services Division.

- Reviewing documents related to the Swiss Challenge negotiated request for proposals process

- Reviewing the executed PayIt agreement and amendments

- Reviewing correspondence and other records

- Conducting other procedures that were deemed relevant

Compliance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit 1: High-Level Chronology of Events

Year	Month	Event
2018	Dec	- PayIt's consultant lobbyist registered with the Lobbyist Registrar
2019	Jan	- PayIt representative reached out to City staff
	Feb	- PayIt provides demonstration for senior City management
	July	- PayIt provides a second demo for senior City management. Meeting is followed by action items including possible proof of concept - PayIt requests basic data from City
	Aug	- **PayIt submits proposal to City staff** - Divisional staff provide comments on proposal - PayIt submits an updated proposal to City staff - **Project staff contact the [then] Chief Procurement Officer about the potential for a sole source approach** - **Chief Procurement Officer identifies that the proposal looks like an unsolicited proposal and refers staff to the Strategic Partnerships Office** - Project staff contact Strategic Partnerships Office and receive guidance on how to proceed, including the need for a Swiss Challenge - **Strategic Partnerships Office receives an unsolicited proposal from PayIt**
	Sept	- Strategic Partnerships Office sends project staff the Swiss Challenge procedure
	Oct	- Strategic Partnerships Office meet with project staff to discuss unsolicited proposal - Divisional staff decide to proceed with the proof of concept
	Nov	- **PayIt proof of concept commences** - Project staff appeared to reach out to the Strategic Partnerships Office on next steps. Strategic Partnerships Office provides information on other programs (e.g. Green Market Accelerator Program) unrelated to the unsolicited proposals process.
	Dec	- Divisional staff and PayIt work closely on proof of concept
2020	Feb	- Proof of concept finishes
	Mar	- Report is submitted to the City Clerk's Office to include in the March 2020 Executive Committee meeting agenda. Meeting does not proceed due to the COVID-19 pandemic
	July	- **City Council considers report recommending City Council authorize sole sourced agreement with PayIt. City Council refers the item back to the City Manager** Agenda Item History - 2020.EX15.5 (toronto.ca)
	Aug	- Notice of Intended Procurement for Swiss Challenge nRFP is posted - Fairness monitor is engaged by the City
	Sept	- **Swiss Challenge nRFP is issued**
	Oct	- **Swiss Challenge nRFP closes**
	Nov	- Evaluation of Swiss Challenge nRFP
	Dec	- **PayIt is declared the preferred supplier**
2021	Jan	- Fairness attestation is completed by Fairness Monitor
	Feb	- Negotiations begin with PayIt
	Mar	- **City Council considers (Jan 2021) report providing an update on the Swiss Challenge nRFP** process and outlining next steps. **City Council requests the Auditor General to consider a review** of the Toronto Office of Partnerships as part of the next Auditor General's Annual Work Plan, with a focus on its relationship to public procurement Agenda Item History - 2021.DM30.1 (toronto.ca)
	May	- **City Council considers (Apr 2021) report recommending City Council authorize staff to enter into an agreement with PayIt. Council adopts the recommendations** Agenda Item History - 2021.EX23.2 (toronto.ca)
	June	- Agreement with PayIt is signed
	Dec	- **MyToronto Pay goes live** (available for use) **for property taxes and utilities** *(Announcement of launch in February 2022)*
2022	Feb	- **Announcement of MyToronto Pay launch**
	May	- **MyToronto Pay goes live for parking tickets**

Exhibit 2: Processing and Transaction Fees for PayIt

Fees paid to PayIt are summarized as follow:

Costs to City & Card Brand Fees

Fees to PayIt are a combination of **(1) transaction fees** and **(2) payment processing fees**. The only time PayIt receives a fee is when a customer makes a payment to the City via the Platform.

1. The transaction fee is a fixed fee: the amount depends on the City service and is paid by the City of Toronto to PayIt.

2. The payment processing fee charged by PayIt is used to settle financial transactions with credit, debit, and financial institutions.

   It is paid by the City or customers depending on the method of payment, and where permitted by Card Brand Rules (see below).

Payment	Fee	Rate	Paid by
Electronic Fund Transfer	Flat	$1.50	City of Toronto
Credit Card	Percentage	2.35%	Customer
Debit Card	Percentage	1.50%	Customer

Card brand fees
- The City currently pays the payment processing fees charged by card brands for the processing of credit and debit card payments for certain city services. In 2019, fees resulted in total costs to the City of $5 million.

- As part of better financial management, and a policy of fairness and transparency, the City will no longer be covering these costs through taxpayer revenue

- Customers will always have an equally convenient payment option **with no additional fee for the customer.**

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Source: Excerpted from staff presentation to Executive Committee on April 29, 2021 Innovative Partnership to Accelerate Digital Services with Payments (toronto.ca)

Payment Processing Fees

The $1.50 processing fee for electronic fund transfers (EFT) is only charged when EFTs are used to pay property tax and utility bill payments through PayIt. The EFT processing fee for parking violations is $1.25.

The contract was amended on April 5, 2023 (retroactive to January 1, 2022, reducing the processing fee for EFTs used to pay property tax and utility bill to $1.00.

Transaction Fees by City Service Category

The contracted Transaction Fee and Transaction Fee Limit for each City Service Category is set out as follows:

City Service Category	Transaction Fee	Transaction Fee Limit?
Revenue Services – Property Taxes	$1.35	Yes
Revenue Services – Utilities	$1.35	Yes
Revenue Services – Parking Violations	$1.75	No
Toronto Building and City Planning Payments	$10.00	No
Municipal Licensing and Standards (MLS) Pet Licenses	$0.50	No
MLS - Issue Business, Trades or Profession Licences & Permits	$1.50	No
Transportation Services (TS) – Long-Term Parking Permits	$1.00	No

City Service Category	Transaction Fee	Transaction Fee Limit?
Transportation Services (TS) – Short-Term Parking Permits	$0.50	No
TS – Other Permits (e.g., Utility Cut)	$1.50	No
Economic Development and Culture (EDC) Film Permits	$5.00	No
EDC Location Permits	$5.00	No
Paramedic Services – Standby Events	$1.50	No
Fire Services	$1.50	No
Courts Services – Primarily Fine payments	$1.50	No
Parks Forestry and Recreation (PF&R) Ferry Tickets	$0	No
PayIt Checkout (connecting the PayIt platform and wallet to existing City solution for any City service)	The lesser of $1.00 or the Transaction Fee listed above.	No

For the property taxes and utilities, the Transaction Fee Limit is calculated based on Annual Transactions from the previous calendar year x 10% x $1.35. Once this Transaction Fee Limit is met, no additional transaction fees would be paid for the year.

Exhibit 3: Ways to Pay Property Taxes, Utilities, and Parking Infractions

 Property Taxes **Utilities**

Available Payment Methods before MyToronto Pay

- By Electronic Funds Transfer (EFT) through a financial institution
- By mail (cheque)
- By mortgage (property taxes only)
- Pre-Authorized Tax Payment Program through the City (from a designated financial institution)
- In person at City customer service counter (cash, debit card, cheque, money order)

New Payment Methods added through MyToronto Pay (in addition to above listed methods)

- Online through PayIt (credit card, debit card, EFT)
- Pre-Authorized Tax Payment Program through PayIt (credit card, from a designated financial institution*)
  *pre-authorized payment from a financial institution was already available through the City

 Parking Infractions

Available Payment Methods before MyToronto Pay
- By mail (cheque)
- In person at City customer service counter (cash, credit card, debit card, cheque, money order)
- Online through City (credit card*)

New Payment Methods added through MyToronto Pay (in addition to above listed methods)
- Online through PayIt (credit card*, debit card, EFT)
  *online payment by credit card was already available through the City

Appendix 1: Management's Response to the Auditor General's Report Entitled "Reinforcing the Importance of Openness, Fairness and Transparency in City Procurement: An Audit of the Procurement and Implementation of the PayIt Unsolicited Proposal"

Recommendation 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.

Management Response: ☒ Agree   ☐ Disagree
Comments/Action Plan/Time Frame: Staff support this recommendation. The City Manager, in consultation with the Chief Procurement Officer will review the City's Unsolicited Quotations and Proposals Policy and Process. The review will address the recommendations in the Auditor General's report, including: • Clarifying roles and responsibilities • Enhancing communication protocols with immediate communication to the CPO • Providing additional guidance, including criteria for consideration for projects • Designing a procurement structure • Ensuring that the policy and processes are fully aligned and consistent, and • Including criteria for proposal consideration, pilot projects, and transaction design.

The review will also include:
- Records and retention practices throughout the process
- City Staff training requirements
- Project management and reporting requirements

The review will be completed by Q4 2024 and implementation of the updated policy and process will be completed by Q1 2025.

Recommendation 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.

Management Response: ☒ Agree   ☐ Disagree
Comments/Action Plan/Time Frame: Staff support this recommendation.   The City Manager's Office and Purchasing and Materials Management will provide and ensure Policy and Process training through communication and training sessions to Division Heads and applicable staff, by the end of Q2 2025 on the City's: • Unsolicited Quotations or Proposals Policy and Process, including roles and responsibilities of the Strategic Partnerships Office, Purchasing and Materials Management, and City Divisions. • Process for Receiving and Reviewing Unsolicited Quotations and Proposals • Procedure for Conducting a Swiss Challenge Request for Proposal • Decision Tracking and Records Retention   The training will include two phases: 1. Training in the short-term on the current Policy and Process, and 2. Training that will follow the review and updates to the Policy and Process.   The first phase of training will be completed by Q4 2024, and the second phase by Q2 2025.

Recommendation 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.**

Management Response: ☒ Agree ☐ Disagree
Comments/Action Plan/Time Frame:

Staff support this recommendation.

The City Manager will direct the Deputy City Managers and Division Heads to ensure that City Council is presented with balanced business cases which present outcomes that can realistically be achieved within the desired timelines and include:
- Relevant data and metrics to support the proposed project goals.
- Evidence-informed discussion of the risks, drawbacks, and disadvantages to the proposed project.
- A comprehensive project charter and implementation plan with agreed upon timelines by participating and impacted City Divisions and stakeholders.

To support this direction, the City Manager's Office will:
- Collaborate with the Office of the Controller/Internal Audit, and other relevant divisions such as Technology Services, and Financial Planning, to prepare guidance and tools for City staff that includes best practices for business case development. Development of tools and support will be completed by Q2 2025.

Recommendation 4: City Council request the Chief Financial Officer and Treasurer, to report:

a. **The annual amounts PayIt 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 PayIt agreement achieved over the duration of the initial agreement (i.e., three years plus the two one-year renewal options, where applicable).**

Management Response: ☒ Agree ☐ Disagree
Comments/Action Plan/Time Frame:

Staff support this recommendation.

The Chief Financial Officer and Treasurer, with Revenue Services, will collaborate with the Customer Experience and Technology Services Divisions to report to City Council in Q2 2025 on the annual amounts received by PayIt from the initial three-year contract and include a comparative cost-benefit analysis and return on investment summary.

Recommendation 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 PayIt's performance and for receiving and reviewing reports, underlying source data, and other deliverables that demonstrate PayIt'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.

Management Response: ☒ Agree ☐ Disagree
Comments/Action Plan/Time Frame: Staff support this recommendation. The City currently tracks a number of metrics, including financial data, service level response data, and adoption/satisfaction with the PayIt platform. Information is shared and reviewed by relevant City divisions, including Revenue Services and the Customer Experience Division. In response to this recommendation, the City Manager's Office, Customer Experience Division, Revenue Services, Technology Services, and the Office of the Chief Information Security Officer will work together, with relevant City divisions, to complete the following by Q1 2025:   - Review all performance measures currently being tracked and identify any additional metrics to be tracked;   - Establish a protocol with clear assignments and accountabilities for reviewing performance against these measures; and,   - Generate a summary report with metrics to be shared on a quarterly basis with relevant City divisions and executives.   The summary report will include the following information: A. Financial Performance – Reconciliation & settlement, financial costs (PayIt Fees), payment card industry compliance B. Technology & Security Performance – Performance of privacy protection and access control obligations, service level responses per the Service Level Agreement, cyber threat detection and response time, and the identification and tracking of service disruption and performance. C. Operational Performance & Customer Satisfaction – Payment and usage trends, customer satisfaction trends, and average costs and City fees as % of revenue collected. This information will be used to assess and confirm PayIt's ongoing compliance with key contract requirements.

Recommendation 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 PayIt 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.

Management Response: ☒ Agree ☐ Disagree
Comments/Action Plan/Time Frame: Staff support this recommendation. Customer Experience (311) Division and Revenue Services Division (RSD) are currently tracking and managing support calls and complaints relating to making payments for property taxes, utility bills and parking fines. To provide an overview of all complaint and support calls regarding PayIt, RSD will develop a quarterly report that combines calls and complaints data from three sources: • RSD's Contact Centre • CXD 311 Tax & Utility Line • PayIt Contact Centre As of August 2024, RSD has created a new Service Request and ticket classification to track customer complaints and issues (Counters/Call Centre/Correspondence/Payment Programs), which will allow RSD and 311 to track, manage and report on payment related inquiries. Complaints and issues received by the City via other channels (e.g., via 311's general inquiries line), are logged under the new classification, allowing for the tracking of all complaints and issues related to payment processing. Triage protocols currently exist between RSD and PayIt in order to direct complaints and issues to the appropriate teams. Program related concerns are channeled to RSD, and payment processing related inquiries and issues are channeled to PayIt. PayIt currently provides the City with a monthly report, which includes metrics related to customer calls and issues. RSD's report will be developed in Q1 2025 and shared quarterly with the project teams in the Customer Experience Division and Technology Services Division for review, and to implement appropriate action to address issues.

Recommendation 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.

Management Response: ☒ Agree ☐ Disagree

Staff support this recommendation.

The City has established robust project governance to support planning, procurement, contracting, and delivery of City-wide technology projects, in response to the Auditor General's report on the Audit of the *Enterprise Work Management Solution (EWMS): Lessons Learned for Future Large Information Technology Projects*.

Specifically, the City has:
- Implemented a strategic sourcing process, as developed by the Chief Procurement Officer, to undertake a comprehensive procurement process, which includes critical milestones such as opportunity approval to mobilize the initiative, market sounding and vendor days, development of the sourcing strategy, development of required documentation, solicitation, evaluation, negotiations, and finally the award.
- Established a centralized governance structure, with the Technology Services Division, to ensure alignment with the City's strategic objectives and mechanisms for reporting progress, changes in strategy, scope, budget, and timelines to City Council, and outcomes.
- Utilized project management tools, such as Project Charters and Risk Management Plans, to ensure each project has a clear mandate and Divisions responsible for ownership and accountability are clearly identified.
- Developed a cross-divisional steering committee for large scale projects to govern the project, ensuring contract compliance and effective collaboration across divisions. This process includes sharing of key milestones, regular reporting, and checkpoints requiring sign off from authorized business head units prior to advancing to the next stage of the project. Through this structure, the committee maintains transparency and accountability, supports securing buy-in from key stakeholders, and ensures opportunities and risks on large projects are surfaced in a timely manner and appropriately addressed.
- Established an Enterprise Program Leadership Table to provide visibility and governance over technological strategic investments in partnership with the City Manager's Office.

Staff will ensure the current contract with PayIt and any future work related to digital payments is governed using the above framework. Staff also report to City Council on large scale projects via the capital and operating variance reports, and will continue to provide this information to City Council on an ongoing basis.

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

Management Response: ☒ Agree ☐ Disagree

Comments/Action Plan/Time Frame:

Staff support this recommendation.

The City Manager will ensure that the Strategic Partnership Office enforces adherence to the Unsolicited Quotations for Proposals Policy and Process for Receiving and Reviewing Unsolicited Quotations and Proposals.

To further support adherence, the Strategic Partnership Office, in partnership with Purchasing and Materials Management, will continue to, and/or implement the following key actions:

Roles and Responsibilities:
- Confirm the Divisional Contacts that act as the Unsolicited Proposals Divisional Lead, and the expected responsibilities of the Divisional Lead with Division Heads.
- Reinforce, via training with Divisional Leads and upon initiation of each Unsolicited Proposals Process, the role and responsibilities of the Strategic Partnerships Office as the sole contact for the Unsolicited Proposals Applicant.

Unsolicited Proposals In-Take and Divisional Review Process:
- Provide written correspondence to the Unsolicited Proposal Applicant when a decision not to proceed with an Unsolicited Proposal is taken by a division(s) and/or the Strategic Partnerships Office.

- Provide written correspondence via email to division(s) when an Unsolicited Proposal is declined. Information on appropriate City policies and processes that may guide the project will also be included in the email should a division wish to proceed with the project.

Unsolicited Proposals Tracking:
- Maintain an enhanced system for Unsolicited Proposals to track:
  - All Unsolicited Proposals received by the Strategic Partnerships Office
  - Status of all Unsolicited Proposals moving through the stages of the Intake and Review Process
  - Proposal decisions and supporting correspondence

  Monthly reports to the Chief of Staff based on the information tracking noted above. Immediate notification to the Chief of Staff when a Division would like to proceed through the Unsolicited Proposal Process to explore a potential opportunity (Stage 2 of the Unsolicited Proposal Process).

Records Retention
- Take and retain minutes of meetings and conversations where significant discussions and decisions are made regarding Unsolicited Proposals.
- Retain all Unsolicited Proposal applications according to City's Information Management Accountability Policy and Responsible Record-Keeping Directive and Guidelines.
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Website Update:
- Review and update as needed, the City's "Presenting a New Business Idea to the City" webpage to ensure all information is accurate and aligns with the Unsolicited Quotations for Proposals Policy and Process for Receiving and Reviewing Unsolicited Quotations and Proposals.

Recommendation 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.

Management Response: ☒ Agree ☐ Disagree
Comments/Action Plan/Time Frame: Staff support this recommendation. The City Manager, in consultation with the Chief Procurement Officer and City Solicitor, will direct the Deputy City Managers, the Chief Financial Officer and Treasurer, and all Division Heads to ensure that they maintain and retain minutes of meetings and significant discussions and decisions regarding procurement and contracts. This will be supported through an annual directive included in the instructions for the development of City Division's annual Procurement Plans. In addition, the City Manager's Office (Strategic Partnerships Office) and Purchasing and Materials Management will work together to: • Include a review of the applicable City policies, such as the Information Management Accountability Policy and Responsible Record-Keeping Directive and Guidelines, in training sessions. • Add the requirement to maintain and retain minutes according to the City's information management and records retention policies to documents, such as guidelines and checklists, that are used to support City Division adherence to the Unsolicited Quotations for Proposals Policy and Process for Receiving and Reviewing Unsolicited Quotations and Proposals. • The City Manager's Office and Purchasing and Materials Management will also consider records retention requirements in its review of the Unsolicited Quotations for Proposals Policy and Process for Receiving and Reviewing Unsolicited Quotations and Proposals. The above actions will be implemented by Q2 2025.

**AUDITOR
GENERAL**
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TORONTO