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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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Presentation Overview

- Audit Objectives

- Background

- Key Audit Findings

- Closing Remarks

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 processes 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)?

Background – Key Terms

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.

A **Swiss Challenge** is a form of Request for Proposal (RFP) process, when the City has received an unsolicited proposal, to put the opportunity to the market to invite others to also submit proposals. The original entity which submitted the unsolicited proposal is then given the opportunity to match or better the best competing proposal which comes out of the Swiss Challenge process, before the City can proceed with the challenging proposal.

A **proof of concept** 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.

Background

Key Dates	Actions
Dec 2018	PayIt's consultant lobbyist registers with Lobbyist Registrar
Feb 2019- Jul 2019	PayIt holds **demonstrations and meetings** with senior City management
Aug 2019	PayIt **submits unsolicited proposal**, first to City project staff, then to Strategic Partnerships Office
Nov 2019- Feb 2020	PayIt and City project team work together on **proof of concept**
Jul 2020	Staff report recommending award of **non-competitive** agreement to PayIt
Sep 2020	**Swiss Challenge** nRFP issued
Mar 2021	Information report on outcome of Swiss Challenge.
May 2021	Council motion to enter into agreement with PayIt
Feb 2022	MyToronto Pay **launch for property tax and utilities**
May 2022	MyToronto Pay **launch for parking tickets**

Key Audit Findings – 3 Categories

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

B. Expected Benefits and Outcomes Were Not Fully Realized

C. Records Supporting Key Decisions Were Not Properly Retained

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

- Concerns raised internally by senior staff:
  - Under what authority are they proceeding to deviate from the unsolicited proposal policy and process – Council authority is needed?
  - Would a proof of concept give PayIt an unfair advantage?
  - Does the PayIt proposal even meet the criteria to be considered an unsolicited proposal?

- Unclear that these concerns raised were addressed prior to staff proceeding with the proof of concept with PayIt

A.2. Unsolicited Proposal Guidelines Were Not Followed

- Strategic Partnerships Office was not the sole point of contact

- Pre-conditions for an unsolicited proposal were not clearly met
  - It resembles a current or upcoming competitive procurement
  - It requires substantial assistance from the City
  - The goods or services are readily available from other sources

- A Swiss Challenge be conducted – instead staff initially recommended a sole source

Swiss Challenge: Opportunities for Continuous Improvement

- Unsolicited proposals policy requires that a Swiss Challenge be conducted

- **Areas for continuous improvement:**

  - Extend invitation to identified potential competitors

  - Provide additional detail on the evaluation scoring criteria

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

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

- **Clarify roles and responsibilities**

- **Advise Chief Procurement Officer immediately** of potential unsolicited proposals with intent to move forward

- **Provide training** for all Division Heads and applicable staff

- Review and improve the City's unsolicited proposal policy:

  - Establish **additional criteria** for considering proposals

  - Expand the guidance and flexibility to **increase competition**

  - **Clarify key terms** in the unsolicited proposals policy, including pre-conditions

B. Expected Benefits and Outcomes Were Not Fully Realized

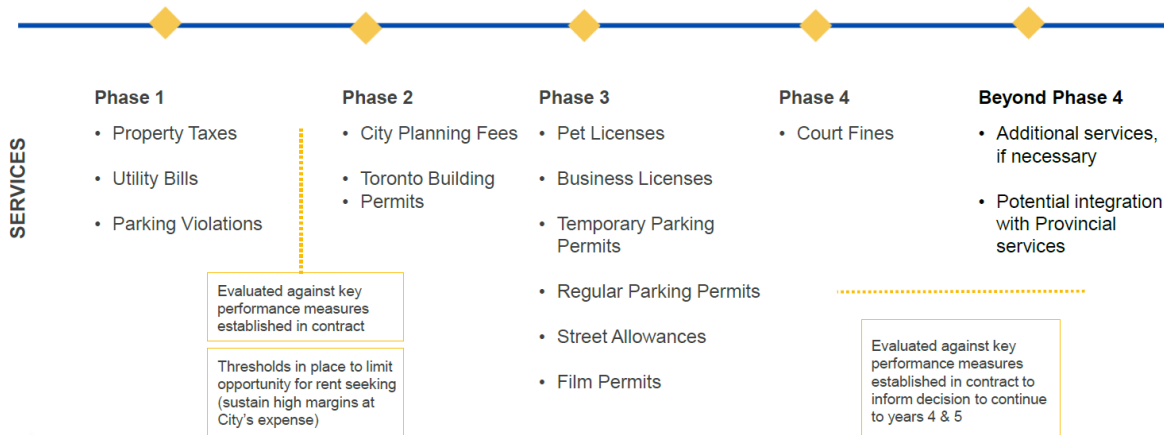| Potential or Intended Outcomes	Progress
Capital and sustainment cost avoidance	●
Reduced likelihood of supplier lock-in	●
Building out the partnership with five key services in year one and 12 services over the course of the contract	◐
Improved customer experience & payment centralization across services 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

B.2. Customer Experience Remains Fragmented
B.3. Forecasted ROI Not Achieved

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

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

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

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- **Property taxes: 6.4%** adoption rate

- **Utilities: 5.3%** adoption rate

- **Parking tickets: 31%** adoption rate

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

B.4. Monitoring of Contract Compliance and Complaints

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

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

C. Records Supporting Key Decisions Were Not Properly Retained

- Staff turnover

- Minutes of key meetings and other records of discussions and decisions not retained

- **Recommendations:**

  - Enforce compliance with unsolicited proposal policy and process

  - Retain minutes of meetings and conversations where significant discussions are held, and decisions are made

Closing Remarks

- Implementing the **nine recommendations** will:
  - Strengthen oversight
  - Ensure City Council receives transparent and balanced information to support decision making
  - Provide a governance framework and methodology for large City-wide technology projects

- Management has agreed with all recommendations

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