

## **Audit of the City's Low Dollar Value Purchases: Increasing Efficiency and Cost Savings While Balancing Other Procurement Objectives and Maintaining Compliance**

**Date:** June 25, 2025

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### **SUMMARY**

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This audit of low dollar value purchases was included in the Auditor General's [2024 Work Plan](#). Although low dollar value purchases (less than \$3,000) do not make up a significant amount of the City's total dollar spend, they do make up 96.5 per cent of the City's annual purchasing volume (based on total number of purchase order (PO), divisional purchase order (DPO) and purchasing card (PCard) transactions). Given this significant volume, increasing the efficiency of procurement and payment processes can have a significant impact to divisional operations.

The objective of this audit was to assess whether the City's procurement processes provide sufficient flexibility to support quick and cost-effective low dollar value procurement while maintaining compliance.

Our audit identified opportunities to improve operational efficiencies by considering expanded use of PCards and reviewing thresholds for requiring multiple quotes, to allow divisions greater discretion when it comes to lower dollar value purchases. Enhanced training, guidance, and information sharing for divisional staff will help to improve procurement planning, efficiency, as well as compliance of procurement processes.

Our audit also highlights that it is important for the City to ensure a centralized city-wide approach to strategically plan and coordinate procurement across all City divisions, and to provide strategic support to divisions to better understand city-wide procurement needs and improve category management for low and medium dollar value purchases. To maximize savings for the City, city-wide analysis and planning can consider potential opportunities identified in this audit, such as obtaining better pricing by further consolidating buying power, maximizing contract rebates, discounts, and other benefits, and leveraging corporate programs with member benefits.

We recognize that although it is important to increase efficiency and cost savings where possible, purchasing must comply with procurement policies, and the City must balance increasing cost savings with its Social Procurement Program and other policy objectives.

## **RECOMMENDATIONS**

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The Auditor General recommends that:

1. City Council request the Chief Financial Officer & Treasurer, in consultation with the Chief Procurement Officer, to review and consider expanding purchasing card (PCard) use, and where appropriate, update policy, guidance and training. The review should consider:
  - a. Default PCard transaction limits and criteria for allowable use, including using PCards in lieu of issuing divisional purchase orders and paying vendor invoices via Accounts Payable for low dollar value purchases.
  - b. Feasibility of using PCards as a payment method for purchase orders and divisional purchase orders.
2. City Council request the Chief Procurement Officer, in consultation with City divisions, to review thresholds, criteria, and procedures for divisional purchase orders, considering potential efficiencies and savings that arise if Division Heads are given more discretion on whether to obtain multiple quotes, and the need to also balance compliance, value-for-money and the City's Social Procurement Program and other policy objectives.
3. City Council request the Chief Procurement Officer, in consultation with City divisions, to publish information / open data on divisional purchase orders specifically identifying low dollar value goods and services that were purchased without soliciting multiple quotes. Such information to include vendor name, description of goods and/or services purchased, dollar value of purchase, and justification for direct purchasing.
4. City Council request the Chief Procurement Officer, in consultation with City divisions, to review, update, and provide enhanced guidance and training to staff for divisional purchasing and purchasing card use, where appropriate. In doing so, the Chief Procurement Officer should consider addressing areas where divisions may require additional guidance. Key training and annual refreshers should be made mandatory for staff involved in conducting and approving divisional purchasing via divisional purchase orders and purchasing cards.
5. City Council request the Chief Financial Officer, in collaboration with the Chief Procurement Officer, to ensure a centralized city-wide approach to strategically plan and coordinate procurement across all City divisions and provide strategic support to divisions to better understand city-wide procurement needs and improve category management for low and medium dollar value purchases. In doing so, the Chief Procurement Officer should implement a process to periodically analyze city-wide

purchasing activity, covering all divisions and considering not only purchase orders, divisional purchase orders, and contract release orders, but also purchasing cards, and identify opportunities to strategically improve the operational efficiency and cost-effectiveness of divisional purchasing across the City. The benefits and challenges, as well as potential actions to address these opportunities should then be raised with divisions.

6. City Council request the City Manager to forward this audit report to the major agencies and corporations for review and request the heads of the agencies and corporations to:

- a. Review the issues and recommendations included in this report and consider the relevance to their respective organizations for implementation.
- b. Report back to the City Manager on any opportunities that the agencies and corporations identify to further strengthen coordination with the City for strategic procurement of low and medium dollar value purchases.

## **FINANCIAL IMPACT**

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Implementing the six recommendations in this report will enable the City to improve operational efficiencies and cost savings for low dollar value purchases by strengthening its management of spending categories across divisions. The resources freed up by the administrative efficiencies achieved may be used for more value-added activities, such as monitoring and analysis, procurement planning, training, and vendor relationship management. Many of the recommendations can be extended to medium dollar value purchases (up to \$120,000).

The resulting financial implications of any anticipated efficiencies, cost savings and/or resources needed to address the recommendations could not be fully determined at the time of this report. The report provides some estimates of potential efficiencies and savings based on low dollar value purchases in 2024. Additional savings are possible if the application of recommendations is extended to medium dollar value purchases.

## **DECISION HISTORY**

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The [Auditor General's 2024 Work Plan](#) included an audit of the processes for low dollar value purchases and the potential for efficiency savings. This report presents the results of the audit.

## **COMMENTS**

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

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

## **CONTACT**

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## **SIGNATURE**

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Tara Anderson  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Audit of the City's Low Dollar Value Purchases: Increasing Efficiency and Cost Savings While Balancing Other Procurement Objectives and Maintaining Compliance