

## AUDIT AT A GLANCE

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

#### WHY THIS AUDIT MATTERS

This audit was initiated in response to concerns from City staff, management, and Councillors that low dollar value purchasing (under \$3,000) takes too long. Given the City's large volume of low dollar value purchases, increasing the efficiency of its procurement and payment processes can significantly impact divisional operations.

#### AUDIT OBJECTIVE

This audit assessed whether the City's procurement processes provide sufficient flexibility to support quick and cost-effective low dollar value procurement while maintaining compliance.

#### BY THE NUMBERS

- **96.5%** of PO/DPO/PCard purchases in 2024 were low dollar value (left pie chart), but they accounted for only **1.2%** of total spending (right pie chart)



- **\$204k-\$306k in efficiency savings** and up to **\$570k in additional rebates**, if all invoices for low dollar value purchases in 2024 could instead be paid by PCard with no surcharges passed on by vendors. Additional savings are possible, where PCard use is expanded beyond low dollar value purchases
- **\$67k in potential savings for every hour of administrative efficiencies** gained on all of the 1,235 DPO/PCard purchases between \$3k-\$10k

#### HOW RECOMMENDATIONS WILL BENEFIT THE CITY

Implementing the recommendations in this report will help the City increase operational efficiency and cost savings, without compromising policy compliance, when conducting low dollar value purchases. Many of the recommendations can also be extended to medium dollar value purchases (up to \$120,000).

#### WHAT WE FOUND

##### A. Improve Operational Efficiency of Low Dollar Value Purchasing

Opportunities exist for the City to better support divisional procurement efficiency without compromising policy compliance.

- **Expanding use of PCards** – PCards are an efficient and cost-effective alternative for divisional purchases. Processing PCard transactions is less costly than processing invoice payments, resulting in potential efficiency and rebate savings by expanding PCard use.
- **Reviewing thresholds for requiring multiple quotes** – The City's current \$3k threshold for requiring multiple quotes is lower than many other Canadian municipalities (ranging from \$4k to \$35k). Setting an appropriate threshold for requiring multiple quotes supports efficient, cost-effective, compliant procurement processes, and value-for-money of purchases.
- **Enhancing training and guidance for staff** – Improving staff understanding of procurement policies and processes will support improved divisional procurement planning, operational efficiency, and compliance.

##### B. Better Manage Spending Categories to Maximize Cost Savings

PMMD can support increased operational efficiencies and savings across the City by taking a centralized leadership role to better understand City-wide procurement needs for low and medium dollar value purchases, and by providing strategic support for divisional procurement planning and coordination.

For low and medium dollar value purchases, PMMD should enhance its reviews and analysis of collective divisional purchasing to identify opportunities to better manage spending categories and, where appropriate, leverage co-operative purchasing. In doing so, the City needs to balance the costs, benefits, and impacts of opportunities on Social Procurement Program and other policy objectives.

- **Obtaining better pricing by consolidating buying power** – Divisions separately buy the same/similar items from different vendors or the same vendor but through different procurement channels, sometimes even when contracts exist. This creates inefficiencies and dilutes the City's buying power.
- **Maximizing contract rebates, discounts, and other benefits** – Some blanket contracts offer discounts, rebates, and other benefits that are missed when staff purchase outside of the contract and spending is not consolidated for a given purchasing category.
- **Leveraging corporate programs with member benefits** – Some commonly used vendors and open-market platforms offer corporate and/or public sector programs with benefits such as discounted pricing, rebates, free shipping, ability to restrict items or categories available for purchase, and data analytics.