



Audit of the City's Low Dollar Value Purchases

**Increasing Efficiency and Cost Savings While Balancing
Other Procurement Objectives and Maintaining
Compliance**

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**AUDITOR
GENERAL**

TORONTO

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Executive Summary

This audit of low dollar value purchases was included on the Auditor General's 2024 Work Plan. Although low dollar value purchases (under \$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 the significant volume, increasing the efficiency of procurement and payment processes can have a significant impact to divisional operations.

Audit objective

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.

Opportunities to improve efficiency and save money

Our audit identified opportunities to improve operational efficiencies by allowing divisions greater discretion when it comes to lower dollar value purchases. The audit also highlights opportunities, including areas to strengthen management of spending categories across divisions, to maximize savings for the City. We recognize that although it is important to increase efficiency and cost savings where possible, there must still be compliance with procurement policies, and the City must also balance increasing cost savings with its Social Procurement Program and other policy objectives.

A. Improving Operational Efficiency of Low Dollar Value Purchasing

Perception that procurement for low dollar value purchases take too long

Divisional staff and management, including our survey respondents and interviewees, have voiced concerns that procurement processes for low dollar value purchases take a long time to complete, that rules for PCard use limit operational efficiency, and that the use of PCards should be expanded. However, there is minimal data available to validate how time-consuming the processes are, and to identify where bottlenecks occur.

Opportunities exist to improve procurement efficiency without compromising compliance

Even so, our audit highlights opportunities for the City to better support divisional procurement efficiency without compromising compliance with policies by:

**Efficiency savings from
expanding PCard use**

- **Expanding the use of PCards** – The views expressed by divisional staff and management to expand the use of PCards are consistent with a recommendation made in a 2009 Auditor General’s report, “[City Purchasing Card \(PCard\) Program – Improving Controls Before Expanding the Program](#)”, for the [Chief Financial Officer] to “*develop and implement strategies to promote and expand the use of PCards by City divisions.*” This recommendation has remained open for more than 15 years.¹

There are efficiencies to be gained if more goods and services can be purchased and paid for via PCard, whenever possible. For example, from a payment perspective, we estimate that, if the over 51,000 invoices paid in 2024 (related to low dollar value POs, DPOs, and contract release orders (CROs) issued between 2022 and 2024) could instead be processed by PCard, the City could generate between \$204,000 and \$306,000 in efficiency savings.²

In addition, we estimate that the City could have earned up to \$570,000 in additional rebates, if all low dollar value PO/DPO/CRO purchases in 2024 were able to be paid for by PCard, and no additional credit card surcharges were passed on by vendors.

Additional efficiency and rebate savings may also be possible, where PCard use is expanded beyond low dollar value purchases.

**Other municipalities have
higher thresholds than the
City for when multiple
quotes are required**

- **Reviewing thresholds for requiring multiple quotes** – In recent years, many jurisdictions have increased the thresholds in their procurement policies for requiring multiple quotes. Many jurisdictions advised us that they did so because of inflationary impacts as well as benchmarking against procurement policies of municipalities across Ontario. Some jurisdictions also indicated they anticipated increased administrative efficiencies resulting from the higher thresholds, although they did not provide performance data quantifying efficiency improvements.

¹ The Auditor General’s 2015 report, “[Review of Divisional Purchase Orders](#)”, recommended that the City Manager expedite implementation of the 2009 recommendation.

² Invoices related to purchasing documents issued prior to 2022, recurring bulk invoices through interface billing, payment requisitions, Schedule A payments, Capital Transmittal Forms payments, vendor credit documents, and payments processed through two-way matching are not included in the invoice count.

Potential administrative savings where divisions are given greater discretion for lower dollar value purchases

Raising the threshold for Division Head discretion on whether multiple quotes are required can result in operational efficiencies. These efficiencies are based on divisions reducing the time spent on obtaining and evaluating multiple quotes, because direct purchasing generally takes less time and requires less staff resources. We estimate that, for every hour of administrative efficiencies gained on all of the 1,235 purchases between \$3,000 and \$10,000 in 2024, the City could achieve potential savings of about \$67,000 (or up to \$469,000 in savings for every seven hours of efficiencies gained across all of these purchases). The potential savings may be offset if goods and/or services purchased directly cost more than if multiple quotes were obtained.

Balancing objectives for increased efficiency and openness, fairness, and transparency in public procurement

When deciding the appropriate threshold for divisional discretion in determining whether multiple quotes are required, the desire for improved purchasing efficiency needs to be balanced with the need for an appropriate level of internal controls and accountability for ensuring value-for-money and openness, fairness, and transparency in public procurement.

Additional training and guidance needed to support efficient divisional purchasing

- **Enhancing training and guidance for staff** – Some comments raised by staff during our audit indicate that more training and enhanced guidance is needed to improve staff's understanding of procurement policies and processes, the need for effective procurement planning, and resources available to support divisional purchasing. Requiring that key training and annual refreshers be mandatory for staff involved in divisional purchasing can help to improve efficiency as well as compliance.

B. Better Managing of Spending Categories to Maximize Cost Savings

City can continue to increase savings through ongoing improvement of category management initiatives

During this audit, we observed opportunities for the City to continue to work towards better managing spending categories across divisions, and in doing so, increase cost savings.

The Chief Procurement Officer and the Purchasing and Material Management Division (PMMD) have a centralized leadership role in ensuring a holistic and city-wide perspective for strategically planning and coordinating procurement across all City divisions. To date, PMMD's efforts have focused more on opportunities related to high value purchasing areas. We have identified additional opportunities related to low dollar value purchases. For low dollar value purchases, PMMD can help increase operational efficiencies and savings across the City by providing strategic support to divisions in conducting effective procurement planning and delivery with a city-wide lens.

The City can continue to increase savings through ongoing improvement of category management initiatives by:

Separate divisional purchases for the same or similar items creates inefficiencies and dilutes buying power

- **Obtaining better pricing by consolidating buying power** – The City does not always consolidate low dollar value purchases. During our audit, we found that divisions were separately purchasing the same or similar items, either from different vendors, or from the same vendor but through different procurement channels (e.g., DPO, PCard), sometimes even when contracts exist. This creates inefficiencies and dilutes the City's buying power and indicates that instances of non-compliance with the DPO and PCard procedures exist.³

Staff buying goods and services outside of City contracts may not be aware of additional discounts and rebates

- **Maximizing contract rebates, discounts, and other benefits** – The City misses out on opportunities to obtain contracted pricing, rebates, discounts, and other benefits when divisions make purchases outside of contracts.

Blanket contract pricing is often, but not always, lower than off-contract pricing. Some blanket contracts also offer additional discounts, rebates, and other benefits that can further lower the cost of City purchases. However, divisional staff may be unaware of these added benefits when they are reviewing item-specific pricing through the financial system. Staff then purchase outside of the contract because they think it is more convenient to do so, and the cost appears to be similar or even less expensive than the contracted pricing.

Some commonly used vendors offer corporate programs with member perks

- **Leveraging corporate programs with member benefits** – Currently, about 20 per cent of PCard purchases made online and in store are from commonly used retailers and open-market platforms (providing access to a variety of sellers through a central portal) with membership programs. Some of these suppliers offer corporate and/or public sector member benefits such as free shipping, discounted pricing, rebates, spend reports and data analytics. The City has not enrolled in any of these programs and is missing out on the savings and member benefits they provide.

³ The City's Procedure for Using Divisional Purchase Orders advises divisions to verify whether a blanket contract exists for goods and/or services required when determining whether the purchase should be made through the DPO process. The City's PCard Program Policy prohibits PCard purchases for goods and/or services already covered under an existing PO, DPO or contract.

Centralized city-wide approach needed to enhance analysis and planning for low dollar value purchases

- **Conducting City-wide analysis on procurement activity** – PMMD conducts periodic compliance reviews of DPOs on a division-by-division basis. However, the City would benefit from PMMD conducting city-wide reviews or analysis of purchasing of similar goods and services across all divisions and/or procurement channels for low and medium dollar value purchases.

Analyzing purchases on a corporate-wide basis under centralized leadership will enable the City to identify more opportunities to improve category management

Analyzing purchases on a corporate-wide basis under centralized leadership will enable the City to identify more opportunities to consolidate buying power and improve category management. This, in turn, can lead to increased cost savings and efficiencies; though the costs, benefits, and impacts of consolidating purchasing must be balanced with the City's Social Procurement Program and other policy objectives.⁴

Conclusion

Low dollar value purchases represent a significant portion of the total volume of purchases the City makes each year.

This audit identifies opportunities for improving operational efficiencies and increased cost savings

During this audit, we observed that there are areas where the City can improve operational efficiency and cost-effectiveness by offering more flexibility in low dollar value purchasing, without compromising compliance. We also noted opportunities for the City to increase its cost savings by strengthening its management of spending categories across divisions. This will require centralized leadership and a city-wide approach in procurement planning and broader analysis of purchasing data by PMMD, while still balancing the City's Social Procurement Program and other policy objectives.

Resources saved through improved efficiencies can be used for more value-added activities

The resources freed up from the efficiency savings achieved by implementing the recommendations from this audit may be used for more value-added activities, such as monitoring and analysis, procurement planning, training, and vendor relationship management.

Many of the recommendations in this report can also be extended to medium dollar value purchases (up to \$120,000).

⁴ The City's Social Procurement Program and other policy objectives are described in the **Background** section

Background

Procurement Policy for Low Dollar Value Purchases and Delegated Authority for Divisions

The Purchasing & Material Management Division (PMMD) develops policies, procedures and guidelines for the City's procurement of goods and/or services to ensure open, fair, competitive, and transparent municipal procurement processes. Divisions are required to comply with the City's procurement policy. Division Heads have discretion for lower dollar value purchases depending on the dollar value.

Defined thresholds for this audit:

The City does not have a defined dollar threshold for what is considered a low dollar value purchase. For the purpose of this audit, we consider:

Low dollar value: < \$3k

- **Low dollar value purchases** to be purchases under \$3,000. For purchases under \$3,000, the City leaves the decision to obtain three quotes at the discretion of the Division Head.

Additionally, for the purposes of this audit, we use the term **lower dollar value purchases**, to mean purchase values under \$10,000, where divisions have greater discretion on the method and/or the number of quotes required.

Medium dollar value: \$3k to \$120k

- **Medium dollar value purchases** to be purchases between \$3,000 and \$120,000*. For these purchases, divisions are required to obtain multiple quotes as detailed in **Table 1**.

Table 1: Low to Medium Dollar Value Purchasing Quotation Requirements

Purchase Value (net of all taxes and charges)	Method	Number of Quotes Required
\$200 or less	PCard or Petty Cash	None
Up to \$2,999.99	PCard or Telephone Quote	Division Head's discretion
\$3,000 to \$10,000	Telephone or Written Quote	Three (3) suppliers, including at least one certified diverse supplier
\$10,001 to \$120,000*	Written Quote	Three (3) suppliers, including at least one certified diverse supplier
Over \$120,000*	Competitive Process through PMMD	

*The threshold for competitive procurements through the DPO process increased from \$50,000 to \$120,000, effective July 1, 2024. The threshold for non-competitive procurements remains at \$50,000.

Source: The City's Procedure for Using Divisional Purchase Orders

DPOs, PCards, and blanket contracts are commonly used for low dollar value purchases

Divisional purchase orders (DPOs) and purchasing cards (PCards) are the two main methods for divisions to make one-time, low dollar value purchases. Blanket contracts⁵ can be established to make recurring low dollar value purchases.

Why is low dollar value purchasing important?

96.5% of the City's PO, DPO and PCard purchasing transactions are for low dollar value goods and services

Low dollar value purchases make up a significant proportion of the City's annual purchasing volume (total number of transactions), even though dollars spent is relatively small. Low dollar value purchases alone, as shown in **Figures 1A and 1B**, accounted for 96.5 per cent of the total PO, DPO and PCard transactions in 2024, and 1.2 per cent of related total annual spending.

Figure 1A: Transaction Count of Low Dollar Value Purchases as a Percentage of PO/DPO/PCard Purchases, 2024

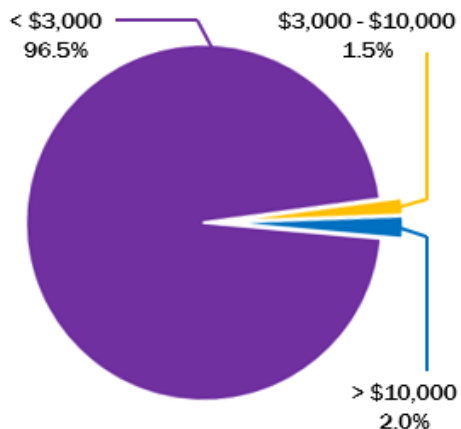
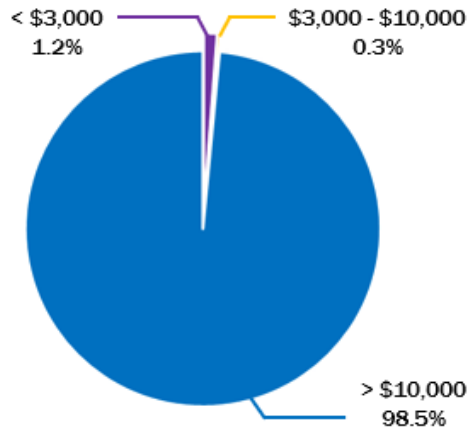


Figure 1B: Transaction Value of Low Dollar Value Purchases as a Percentage of PO/DPO/PCard Purchases, 2024



Balancing Social Procurement Program and Other Policy Objectives That Impact Low Dollar Value Purchasing

The City's policy objectives, including those set out in the Social Procurement Program and the Mayor's Economic Action Plan in Response to US Tariffs, can have an impact on low and medium dollar value purchasing.

⁵ Blanket contracts allow divisions to purchase goods and/or services at contracted unit prices (up to a maximum total value of purchases), during a contract term. These contracts are generally awarded through a competitive procurement process.

City's Social Procurement Program aims to drive inclusive economic growth

The Social Procurement Program⁶ was adopted by City Council in 2016. The purpose of the policy is to embed supply chain diversity and workforce development initiatives within the City's procurement processes to drive inclusive economic growth.

PMMD advised that low and medium dollar value purchasing provides the greatest opportunity for the City to advance the Social Procurement Program objectives and increases access for Indigenous, Black and Equity-deserving communities to the City's procurement process and contracts.

Enhancing sustainable procurement

Other policy objectives also include enhancing sustainable procurement as part of the City's TransformTO Net Zero Strategy.

In response to U.S. tariffs, City practices are being adjusted to support the local economy and reduce reliance on U.S. suppliers

In addition, through the March 2025 report, [Mayor's Economic Action Plan in Response to US Tariffs](#), management advised that City administrative practices were being adjusted to support the local economy and reduce reliance on U.S. suppliers. Specifically, the City indicated that it would limit low value business and employee expenses from U.S.-owned retailers.

⁶ December 2024 Staff Report on the results of the City's Social Procurement Program Review
<https://www.toronto.ca/legdocs/mmis/2024/ex/bgrd/backgroundfile-251407.pdf>

Audit Results

This section of the report contains the findings from our audit work followed by specific recommendations.

A. Improving Operational Efficiency of Low Dollar Value Purchasing

Audit initiated in response to concerns that low dollar value purchasing takes too long

Over the years, we have heard concerns from divisional staff and management, as well as Councillors, about the “slow,” “manual,” and “onerous” process to complete low dollar value purchases. Divisions often make low dollar value purchases through DPOs or PCards for goods and services they need quickly to deliver community programs and public services or meet operational needs.

We conducted this audit so that we could identify opportunities for the City to improve efficiency and achieve cost savings in the related processes. We also recognize that although improved efficiency and increased savings are beneficial for the City, it is also important for the City to still be in compliance and to also balance increased savings with achieving its Social Procurement Program and other policy objectives.

Responses to audit interviews and surveys indicate same perception

During the audit, we interviewed staff responsible for executing and approving purchases, PCard use, and/or procurement training and support. We also surveyed over 120 divisional staff responsible for DPO and/or PCard purchase processing and approval to solicit input on current practices, challenges, and areas for improvement when making low and medium dollar value purchases (refer to **Exhibit 1** for a summary of responses to key survey questions).

A consistent theme was the perception that low dollar value purchasing takes a long time to complete and that rules for PCard use limit operational efficiency.

Minimal data is available to validate how time-consuming procurement processes are

There is minimal data available to validate how time-consuming the processes are, and to identify where bottlenecks occur. There are also no corporate-wide performance measures or benchmarks to set reasonable expectations for how much time processes should take for low dollar value purchases.

Opportunities to improve efficiency of low dollar value purchasing without compromising compliance

However, the results from our interviews and surveys highlight opportunities for the City to better support divisional procurement efficiency of low dollar value purchasing, without compromising compliance with policies, by:

1. Expanding the use of purchasing cards (PCards)
2. Reviewing thresholds for requiring multiple quotes
3. Enhancing training and guidance for staff in divisions

A. 1. Expanding the Use of Purchasing Cards

Many Ontario jurisdictions allow broader use of PCards

Many Ontario jurisdictions have higher PCard transaction limits than the City of Toronto and allow more merchandise categories to be purchased by PCard.

Restrictions on what can be purchased via PCard

The default transaction limit for the City's PCard is \$3,000.⁷ The City's Purchasing Card Program Policy also adds further constraints on the use of PCards as follows:

Items that may be purchased by PCard	Items that may not be purchased by PCard
<ul style="list-style-type: none">• Office supplies (non-standard) that are not available through City Stores⁸ and/or the City's current stationary supplier• Items that are on Schedule A⁹ including but not limited to subscriptions, professional memberships and/or dues• Items not covered by a PO• Items normally purchased with petty cash• Other items not available through City stores• Items required in emergency situations• Technology Services Division, Contract Management Office (CMO)-approved IT-related products	<ul style="list-style-type: none">• Cash advances, bank drafts, money orders• Professional and contracted services• Interdivisional City purchases (e.g., printing, telephone, office supplies, conferences/seminars hosted by city divisions, ferry transportation)• Unapproved CMO IT-related products (computers, software, etc.)• Items on a PO, DPO or contract• Goods and/or services not for City use (i.e., personal use)

⁷ PCard transaction limits greater than \$3,000 are permitted (both permanently and temporarily) upon request and proper authorization.

⁸ City Stores products are bought at volume pricing from blanket contracts awarded to suppliers through the City's competitive bidding process. By working with City Stores, divisional staff can avoid quoting suppliers, placing formal purchase orders and processing invoices and payment approvals

⁹ Toronto Municipal Code, [Chapter 71](#), Financial Control, Schedule A lists items that can be processed without purchase order or a sole source request form, in accordance with § 71-14

Auditor General's 2009 recommendation to expand PCard use has remained open

Many audit interviewees and survey respondents expressed views that the City should expand the use of PCards. These views are consistent with a recommendation made in a 2009 Auditor General's report, "[City Purchasing Card \(PCard\) Program – Improving Controls Before Expanding the Program](#)", for the [Chief Financial Officer] to "*develop and implement strategies to promote and expand the use of PCards by City divisions.*" This recommendation has not been fully implemented and has remained open for more than 15 years.¹⁰

Operational Efficiencies From Expanded PCard Use

PCards are an efficient and cost-effective method for divisions to procure goods and services

In addition to being "*a more efficient and cost-effective alternative for divisions to make purchases*" (PCard Program Policy), expanded use of PCards, as a payment tool, can also be a more efficient and cost-effective alternative to traditional invoice payment processing.

The 2009 audit report indicated that "*A cost benefit analysis comparing the City's PCards with other procurement methods could not be performed because the data was not available at the time of our review. Published studies have shown that the average cost per purchasing card transaction was approximately \$70 lower than the cost associated with other purchasing methods.*"

No City cost-benefit analysis comparing the different purchasing methods

Since that time, the City has not performed any cost-benefit analysis comparing the City's PCards with other procurement methods, including the extent to which PCards speed up the process for ordering, receiving and paying for the goods and/or services.

Expanded PCard use would still require compliance with City's procurement policy

It is important to note that expanded PCard use as a purchase-and-payment tool does not change other procurement policy requirements. Even when PCards are used, staff still need to comply with requirements to obtain multiple quotes, meet Social Procurement Program and other policy objectives, and obtain other required documents. However, instead of issuing a PO/DPO and processing a vendor invoice through the Accounting Services Division's Corporate Accounts Payable Unit, completing the purchase and paying for the invoice directly using PCards allows faster and cheaper (less labour intensive) invoice and payment processing.

Cost to process PCard transactions is much lower than cost to process invoice payments

Accounting Services has not analyzed the cost to process a standard invoice compared to PCard payments. **Table 2** summarizes the potential cost and efficiency savings (further described after the Table) that can arise when more purchases are paid for by PCard.

¹⁰ The Auditor General's 2015 report, "[Review of Divisional Purchase Orders](#)", recommended that the City Manager expedite implementation of the 2009 recommendation.

Table 2: Potential Cost and Efficiency Savings from Paying by PCard

Team	Activities	Cost savings	Efficiency savings	Total estimated annual savings (based on 2024 purchase activities)
Corporate Accounts Payable staff	Invoice and payment processing	✓	✓	<p>\$204,000 - 306,000 in efficiency savings if invoices processed by Corporate Accounts Payable related to low dollar value PO/DPO/CRO can instead be paid for by PCard</p> <p>Up to \$570,000 in cost savings for rebates if all low dollar value PO/DPO/CROs are able to be paid for by PCard</p> <p>*Additional savings may be possible for payments on medium and higher value purchases</p>
Corporate Accounts Payable supervisors	Following up on rejected/held invoices and missed or late payments		✓	Number of hours that can be saved - <i>unknown</i>
Divisional staff	Following up on rejected invoices and missed or late payments		✓	Number of hours that can be saved - <i>unknown</i>
City vendors	Following up on rejected or late invoices		✓	<p>Number of hours that can be saved - <i>unknown</i></p> <p>Any efficiencies gained will improve vendor relationships</p>

\$200k-\$300k in estimated annual efficiency savings by expanding PCard use for payments

We estimate that the cost for the Corporate Accounts Payable Unit to process standard vendor invoices for payment is in the range of \$6-7 per invoice. In contrast, the cost to process a PCard transaction is estimated to be in the \$1-2 range, based solely on the estimated cost of Corporate Accounts Payable staff resources assigned to process and post invoices and PCard transactions.

This means that, if the over 51,000 invoices paid in 2024 (related to low dollar value PO/DPO/CROs issued between 2022 and 2024¹¹) could instead be processed by PCard, we estimate the City could generate between \$204,000 and \$306,000 in efficiency savings. Additional savings can be achieved, where PCard use is expanded beyond low dollar value purchases.

¹¹ Invoices related to purchasing documents issued prior to 2022, recurring bulk invoices through interface billing, payment requisitions, Schedule A payments, Capital Transmittal Forms payments, vendor credit documents, and payments processed through two-way matching are not included in the invoice count.

Other costs associated with traditional invoice processing

The above cost estimate for potential efficiency savings does not include time and resources spent by Accounts Payable Supervisors, vendors, or divisional staff. With invoice processing, there may be delays and issues with processing the invoice for payment that require additional time and resources to address. For example, invoices may get rejected, requiring vendors and divisional staff to track down, resolve and resubmit them. Similarly, when invoices are held for further review, divisional staff and Accounts Payable Supervisor time (and related costs) to clear the invoices for processing are not tracked.

Other savings opportunities by using PCard as a payment tool

On top of reducing payment processing costs, there could be opportunities for additional savings, as vendors are paid quicker, potentially reducing late fee costs or increasing early payment discount amounts compared to traditional invoice processing.

Up to \$570,000 in estimated additional annual rebates if PCards can be used to pay for all low dollar value purchases

In addition, the City receives a rebate on all purchases made via PCard. In 2024, low dollar value PO/DPO/CRO purchases totaled over \$41 million. If all of those purchases could instead have been made via PCard, the City could save up to \$570,000 through applicable PCard rebates. We note that some of the City's vendors may not accept PCard as a method of payment and some may opt to add a surcharge for use of PCards.¹²

Further efficiency and rebate savings are possible, where PCard use is expanded beyond low dollar value PO/DPO/CROs.

Resource trade-offs in expanding PCard use

When considering expanding PCard use for purchasing and payments, the City should analyze potential efficiency savings of direct processing against increased resources needed to effectively review and monitor PCard use for compliance and value-for-money.

¹² Since October 2022, vendors can opt to add a surcharge to a credit card transaction (except in Quebec), capped at 2.4 per cent of transaction amount, or the amount of actual costs to accept the credit card, whichever is less. Where this occurs, savings from rebates may be offset by the added transaction processing cost passed on by vendors.

Recommendation:

- 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.**

A. 2. Reviewing Thresholds for Requiring Multiple Quotes

The City's current threshold for requiring multiple quotes is \$3,000

For purchases under \$3,000, the City leaves the decision on whether to obtain three quotes to the discretion of the Division Head.¹³ While quotations are not required, due diligence must be exercised to ensure that the purchase price reflects fair market value. For purchase values from \$3,000 to \$120,000¹⁴, multiple quotes are required.

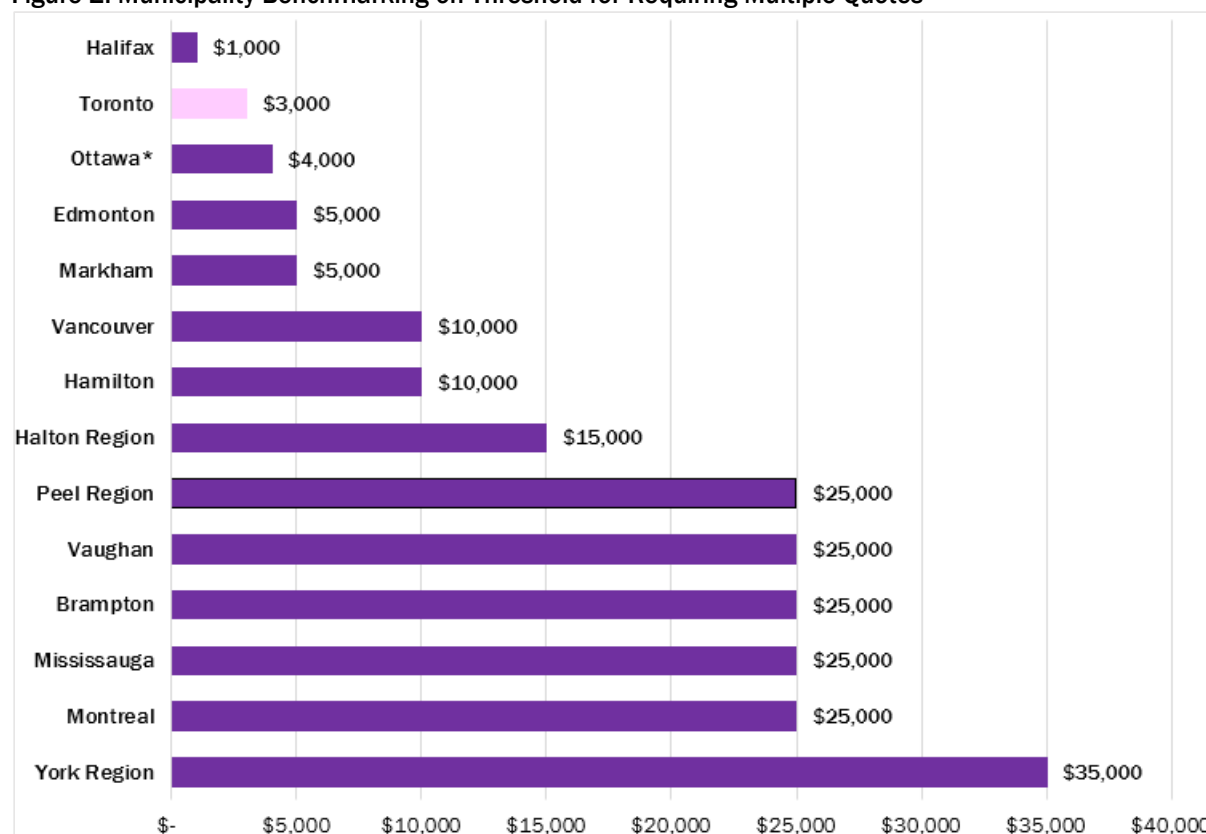
Other jurisdictions have higher thresholds for requiring multiple quotes

Many other municipalities adopt a higher threshold for requiring multiple quotes, ranging from \$4,000 to \$35,000, as shown in **Figure 2**.

¹³ During our audit, we observed that Division Heads used their discretion, as allowed by the City's procurement policy, and did not obtain multiple quotes for the majority of purchases under \$3,000 in our sample.

¹⁴ The threshold for competitive procurements through the DPO process increased from \$50,000 to \$120,000, effective July 1, 2024. The threshold for non-competitive procurements remains at \$50,000.

Figure 2: Municipality Benchmarking on Threshold for Requiring Multiple Quotes



* City of Ottawa policy has different thresholds for professional services. In particular, the Director may directly select a supplier to provide professional services without obtaining quotes where the total cost of the professional services does not exceed \$25,000 in value.

Inflation and potential administrative efficiencies are drivers for threshold changes

Many of these jurisdictions indicated they increased their direct purchasing thresholds in recent years as part of Procurement By-Law reviews supported by analysis of inflationary impacts (e.g., Consumer Price Index and Building Construction Price Index increases) as well as benchmarking against procurement policies of municipalities across Ontario.

Some of the jurisdictions we surveyed also indicated they anticipated increased administrative efficiencies resulting from the higher thresholds, although they did not provide performance data quantifying efficiency improvements.

Potential Operational Efficiencies of Higher Thresholds

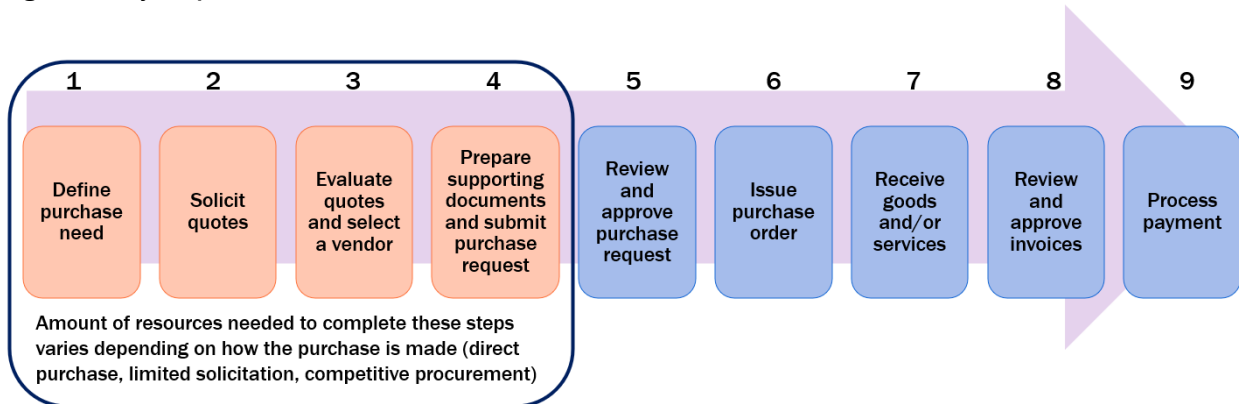
Limited data is available to quantify the full extent of operational efficiencies from higher thresholds

During the audit, we were unable to quantify the amount of staff resources expended on low dollar value procurement, because the City does not track data or conduct analysis on the amount of time (and related labour costs) involved in direct purchasing compared to obtaining multiple quotes and/or competitive procurement processes (e.g., formal procurement calls issued through PMMD). However, we have estimated the potential impact of increasing thresholds below, although it requires assumptions given the lack of available data.

Direct purchasing generally takes less time than limited solicitations and open competitive processes

Figure 3 shows the key steps in procuring and paying for goods and services. Direct purchasing generally takes the least amount of time, while open competitive processes typically require the most. Limited solicitations to obtain three quotes fall somewhere in between. The amount of time and resources needed can vary depending on factors like how easy it is to define the purchase requirements (i.e., specifications and scope), awareness of common vendors in the marketplace, and the number of vendors contacted.

Figure 3: Key Steps in Procurement Process for Goods and Services



Potential annual administrative savings from increasing threshold

Raising the threshold for Division Head discretion on whether multiple quotes are required may reduce staff time needed to define purchase needs and obtain and evaluate quotes (**steps 1-4 in Figure 3**). For example, during 2024, divisional staff made 1,235 purchases between \$3,000 and \$10,000, totaling almost \$7 million. We estimate that, for every hour of administrative efficiencies gained across all of the 1,235 purchases, the City could achieve potential savings of about \$67,000 (or up to \$469,000 in savings for every seven hours of efficiencies gained across all of these purchases). The potential savings may be offset if goods and/or services purchased directly cost more than if multiple quotes were obtained.

Additional data on the actual time and resources spent on lower dollar value purchases can help to identify bottlenecks

Additional data tracking and analysis to quantify the actual time and resources spent on divisional purchasing can help identify bottlenecks during the procurement process. Performance data can also help show whether notable administrative efficiencies are gained where greater discretion in obtaining multiple quotes is left to the Division Head. However, at this time, given the level of resources and lack of systems required to collect this data, combined with the amount of spending on low dollar value purchases, the cost is likely greater than the benefits and insights that may be gained. If there is a way to gather and track this data in a cost-effective way in the future, such as through the City’s Financial Systems Transformation Program (FSTP) solution, it could be considered.

Other Considerations for Determining Appropriate Threshold

Other considerations when reviewing procurement thresholds

When determining the appropriate threshold for requiring multiple quotes, the City should also consider:

- How to determine that prices are fair and reasonable if multiple quotes are not required, while also considering the cost of resources to obtain multiple quotes
- Trade-offs between time savings for direct purchasing vs. increased need for monitoring and oversight for compliance and value-for-money
- The documentation required to support due diligence when making purchases directly vs. obtaining multiple quotes
- Whether there is recurring low dollar value purchasing for a category that should be consolidated into a competitive procurement for a blanket contract, supply arrangement, and/or standing offer
- Whether there should be different thresholds for goods and services vs. professional services
- Whether the City should increase the ability for direct purchasing to support Social Procurement Program and other policy objectives

Improving Transparency and Accountability of Direct Purchasing by Divisions

Purchasing thresholds are an important control for supporting fair, open, and transparent public procurement processes

Purchasing thresholds are an important control for supporting fair, open, and transparent public procurement processes. Setting an appropriate threshold is crucial, as thresholds that are too low can slow down the procurement process and incur higher administrative costs. On the other hand, thresholds that are too high may open the City up to greater risk of non-compliance, insufficient value-for-money, and/or unfairly limit opportunities for vendors to do business with the City.

Publishing data on purchasing activities increases accountability

Regularly publishing data on purchasing activities supports increased accountability for fair, open, and transparent procurement processes. The City already publishes data on monthly PCard expenditures, non-competitive contracts, and open solicitations and awarded contracts on various City websites and portals (e.g., the Open Data portal).

However, information is not published on DPOs issued for goods and services procured by soliciting multiple quotes, as well as goods and services under \$3,000 that are directly purchased. Publishing more open data on low dollar value divisional purchases is a transparency and accountability mechanism that can also enhance monitoring and oversight, especially if higher thresholds are adopted. Publishing this data also increases visibility of business opportunities and capability for public analysis, research, and benchmarking on government spending.

Recommendations:

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.**

A. 3. Enhancing Training and Guidance for Staff

Need for more staff training and guidance

Some issues raised through our surveys and interviews reflect the need for enhanced training and guidance to improve staff's understanding of procurement policies and processes. Additional training and guidance may also be helpful to reinforce the need for improved procurement planning and compliance by divisions.

Divisions are responsible for properly planning to address their procurement needs, which helps to reduce the risk of staff turning to alternative temporary procurement methods to meet needs on a last-minute or urgent basis. Sometimes purchases that are not well planned may miss opportunities for cost savings, such as blanket contracts, or may not be in compliance with policy.

Training and support by PMMD is available to divisions

PMMD advised that training is available and that PMMD supports divisions where and when they request guidance beyond the available DPO training. However, available training, guidance and support is not always taken advantage of by divisions.

Additional supports may help divisions improve procurement efficiency

Still, interviewees suggested additional supports may help improve the efficiency of divisional purchasing. We also identified other examples during the audit where Division Heads and PMMD can better support divisions. These include:

- Implementing additional division-specific procurement training or guidance, particularly in areas where corporate policies leave room for flexibility and discretion at the divisional level, as well as division-specific examples of purchases where PCard use is or is not allowed
- Providing a high-level flow map or an interactive tool to assist divisional staff in choosing the most appropriate and efficient procurement method based on their specific purchasing needs
- Sharing lessons learned and best practices across divisions, and mechanisms to provide feedback on specific tools, templates or processes implemented
- Identifying key activities and milestones during a procurement where divisions may consider data tracking and analysis to measure and improve performance

Overall, our findings indicate that additional training and guidance for divisional purchasing staff is needed. Furthermore, supplementary training should be provided when there is a policy or procedure change, and regular refresher training should also be provided to reinforce how to apply the City's procurement requirements in specific scenarios. Key training and annual refreshers should be made mandatory for staff involved in conducting and approving divisional purchasing via DPOs and PCards.

PMMD and divisions share the responsibility to support staff in completing purchases efficiently and in compliance with policies

PMMD and City divisions have a shared responsibility to understand and address knowledge gaps, and to provide additional tools and support so that staff are well-equipped to complete divisional purchasing efficiently and in compliance with policies and procedures.

Recommendation:

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.**

B. Better Manage Spending Categories to Maximize Cost Savings

Centralized leadership is needed to enhance strategic planning and coordination of procurement across all City divisions for low and medium dollar value purchases

The Chief Procurement Officer and PMMD have a central leadership role in ensuring a city-wide approach for strategically planning and coordinating procurement across all City divisions, including low and medium dollar value purchases. By providing strategic support to divisions in effective procurement planning and better understanding city-wide procurement needs for low and medium dollar value purchases, PMMD can help increase operational efficiencies and savings across the City.

Category management and strategic sourcing a key initiative of PMMD since 2016 with a focus on high dollar value and highly complex procurements

As part of its Program Review conducted between 2014 and 2016, PMMD identified implementing category management and strategic sourcing (CMSS) as a key strategic initiative to potentially generate significant annual recurring savings.¹⁵ Since then, the City has been working to operationalize category management and has reported reduced or avoided operational and capital costs. The City's category management efforts to date have focused primarily on high dollar value and highly complex procurements like corporate procurements of construction and maintenance, facilities, and technology, though CMSS does not necessarily exclude low and medium dollar value purchases.

¹⁵ **Category management** is the process of managing key spend categories (goods and services grouped into categories, for example fuel, software, HVAC services etc..) strategically across the organization to lower total cost of ownership. Category management includes category strategies, category governance, usage and spend management, category spend performance management, and supplier performance management. **Strategic sourcing** results from the category strategy and is an event or a series of events to secure a vendor or vendors to provide the goods or services to be managed under category management. Refer to the October 2016 Staff Report "[Purchasing and Materials Management Review: Strategy for Category Management and Strategic Sourcing](#)"

Opportunities to increase savings including category management for low dollar value purchases

During this audit, we observed additional opportunities to save money, including strengthening management of spending categories across divisions for low dollar value purchases:

1. Obtaining better pricing by consolidating buying power
2. Maximizing contract rebates, discounts, and other benefits
3. Leveraging corporate programs with member benefits
4. Strengthening city-wide management of spending by category across divisions

A recommendation on these opportunities comes at the end of the Section.

B. 1. Opportunity for the City to Further Consolidate Buying Power and Obtain Better Pricing

Separate divisional purchases for the same or similar items creates inefficiencies and dilutes buying power

We found that divisions were separately purchasing the same or similar items, either from different vendors, or from the same vendor but through different procurement channels (e.g., DPO, PCard), sometimes even when contracts exist. This creates inefficiencies and dilutes the City's buying power and indicates that instances of non-compliance with the DPO and PCard procedures exist.¹⁶

While not all purchasing from a given vendor can be consolidated, there are opportunities to consolidate purchasing for same or similar items

For example, in 2024, divisions used DPOs and PCards to purchase the same or similar items from 173 vendors where blanket contracts exist. In particular, while \$165 million in purchases were made through blanket contracts, an additional \$8 million was purchased from the same vendors by issuing more than 730 separate DPOs¹⁷ and at least another \$1 million was purchased from the same vendors via PCard. While not all purchasing from a given vendor can be consolidated (e.g., when a vendor offers other goods or services that are very different from those covered by an existing contract), the following case study illustrates opportunities to consolidate purchasing for same or similar items to improve efficiencies and better leverage the City's buying power.

¹⁶ The City's Procedure for Using Divisional Purchase Orders advises divisions to verify whether a blanket contract exists for goods and/or services required when determining whether the purchase should be made through the DPO process. The City's PCard Program Policy prohibits PCard purchases for goods and/or services already covered under an existing PO, DPO or contract.

¹⁷ These statistics do not include transactions where PMMD issued the PO for additional transactions outside the contracts.

Case Study 1: Consolidating Purchasing to Improve Efficiency and Buying Power

The City has a set of blanket contracts with a vendor to provide electrical supplies and components for various divisions. In 2024, over \$2.7 million in purchases were made with this vendor through these contracts. In addition, over \$367,000 in purchases were made outside of the contracts, via PO, DPO, and PCard from the same vendor.

During our audit, we reviewed 15 DPOs with 113 line items and 25 PCard transactions with 94 line items. We found that the same or similar items that are already covered by blanket contracts were also bought via DPO and/or PCard. For example, during January 2022 to June 2024 when the blanket contracts were in place, DPO and PCard purchases include:

- Electrical panels
- Electrical wiring
- Electrical tape
- Breakers
- Junction boxes
- Clamping Ring Plug
- Batteries
- LED light bulbs
- Lamps

In general, DPO and PCard purchases in our sample did not include other miscellaneous items that don't appear to be covered by the contracts (i.e., they were mainly for the same items as covered by the blanket contract items or similar items in the supplier's catalogue).

If DPO and PCard off-contract purchasing were consolidated into blanket contracts requirements, this could lead to increased savings from contracted pricing, discounts, and rebates (which are further discussed in **Section B.2**), as well as opportunities to obtain better pricing and contract terms and conditions in the future by increasing the City's buying power. Divisions would also then save the time and effort required to separately prepare and review the purchase request, research vendors, and solicit and evaluate quotes (where required) on their own.

Common categories of divisional purchasing to consider for consolidating the City's buying power

When consolidating the City's buying power, there needs to be consideration of common categories of low dollar value spending. These may include purchases of the same or similar items from different vendors, such as grocery and catering, small building materials, IT hardware and accessories, small medical equipment, fleet and vehicle services, and office supplies. Some of these common categories were identified in the 2016 PMMD Program Review¹⁸ as potential areas to be considered for category management.

¹⁸ [Purchasing and Materials Management Review: Strategy for Category Management and Strategic Sourcing.](#)

Collecting quality data on off-contract purchasing can help PMMD better understand and address why staff are not using existing contracts

Reasons staff gave for making purchases outside of existing contracts include the need to purchase goods or services between blanket contract renewals; better pricing and/or quality found with other vendors off contract; challenges leveraging existing blanket contracts of other divisions; and more flexibility or timely availability of goods. There are no data points captured in the financial information system to determine the reasons for purchasing outside of contracts, and in particular how frequently divisional staff purchased off contract because they found pricing that appeared to be less expensive (or the same price but more convenient) than purchasing through existing contract. This type of information can help to better understand why staff are not using existing contracts and how to design procurement processes and contracts that are both efficient for the end user and result in best value or lowest cost for the City.

Other policy objectives to consider when determining whether to consolidate purchases

We recognize that the City has other procurement objectives in addition to cost savings and value-for-money, such as the Social Procurement Program objectives to support diverse, local and small businesses. Sometimes large, consolidated contracts make it harder to achieve these objectives and the City needs to balance achieving its other policy objectives with achieving cost savings.

The City Can Further Leverage Co-Operative Purchasing

Pooling purchasing helps achieve better pricing, efficiency, and access to a wider range of products and services

Co-operative purchasing, also known as group purchasing, allows divisions to collaborate internally within the City, as well as externally with other municipalities, the Province of Ontario, or the broader public sector, to leverage their collective buying power to achieve better pricing, efficiency, and access to a wider range of products and services. By pooling the City's needs together with others, the City may be able to negotiate more favorable terms with suppliers and streamline procurement processes.

The City has leveraged co-operative purchasing, both internally and with external partners, in some areas. However, in our survey of City staff, 40/123 (33 per cent) respondents believed there were additional areas or types of purchases that could benefit from co-operative purchasing.

Processes to identify and leverage co-operative purchasing opportunities

The City uses an ad-hoc approach to identify and leverage co-operative purchasing opportunities. Some divisional staff said they do not have easy access to or do not know how to access complete and up-to-date information on the co-operative purchasing arrangements the City has in place (including information on contract terms, lead and participating divisions, volume rebate and early payment discount information). This limits their ability to make informed decisions and take advantage of existing opportunities to fulfill their purchasing needs. Given co-operative purchasing can be complex, where divisions have a desire to leverage this type of procurement, they should be reaching out to PMMD to discuss and review opportunities. In addition, PMMD can proactively solicit, and divisions can proactively flag, any requests to pursue co-operative purchasing as part of annual procurement planning.

Completed co-operative purchasing projects are not reviewed to inform future opportunities and practices

Management advised that once co-operative purchasing contracts have been established, there is no further analysis conducted by PMMD or divisional staff to verify whether financial and operational benefits and outcomes are actually achieved. Analysis that may help inform or refine future co-operative purchasing includes data on:

- Whether the time and staff resources required to conduct and complete the procurement have been reduced (i.e., efficiency savings achieved)
- The amount of savings from lower pricing and better payment terms including rebates and discounts (i.e., cost savings and avoidance)
- The extent to which vendor outreach and relationships and access to a wider range of products and services have been enhanced.

Identify opportunities to improve procurement planning and management of spending categories and advance other policy objectives

In order to make informed decisions on consolidation of purchasing, the City needs to better collect and analyze purchases at a city-wide level, covering all divisions and procurement channels. Take-aways from such analyses will help the City identify opportunities to improve procurement planning and category management spending, reduce costs, and advance Social Procurement Program and other policy objectives.

B. 2. Opportunity for the City on Contracted Pricing, Rebates, Discounts, and Other Benefits

Blanket contract pricing is often, but not always, lower

When spending is not consolidated for a given purchasing category, prices paid for the same or similar purchases may vary.

In many cases, blanket contract pricing can be much lower than retail pricing. However, the City can miss the opportunity for savings when:

- Divisions are unable to leverage lower contract pricing when making PCard purchases in-store or online outside of blanket contracts (through the Contract Release Order (CRO)¹⁹ process) to obtain goods they need on demand.
- Divisions issue a separate PO/DPO for purchases rather than buying through an existing blanket contract.²⁰

In some of these cases, divisions do not buy through the existing contracts even when purchasing similar goods or services from the same vendor. For example, when contracts with a vendor do not include all similar goods or services in the specified “basket of goods” covered by the contract, when buying “off-contract” goods through the vendor does not represent best value, or when the division chooses not to buy goods according to the standard City specification covered by the contract.

We also observed cases where retail pricing may be similar to or lower than blanket contract pricing, due to limited-time promotions or market changes that occurred after the blanket contract was established.

¹⁹ A Contract Release Order (CRO) is a document that authorizes a purchase or delivery of goods or services against an existing contract. It's like a specific purchase order linked to a larger agreement, enabling purchases to be made based on pre-agreed terms and conditions.

²⁰ As noted in **Section B.1**, some reasons staff gave for making purchases outside of existing contracts include the need to purchase goods or services between blanket contract renewals; challenges leveraging existing blanket contracts of other divisions; better pricing and/or quality found with other vendors off contract; and more flexibility or timely availability of goods.

Some Contracts Offer Discounts, Rebates, and other Benefits on Top of Contracted Pricing for Specific Items

Staff may not be aware of the additional discounts and rebates that are available through contracts

Some blanket contracts also offer discounts, rebates, and other benefits. However, these discounts (other than early payment discounts) and rebates are often not communicated to divisional staff, and rebates earned are not credited back to divisional cost centres. This means that divisional staff may be unaware of the impact of available discounts and rebates on the overall price the City is paying. Staff then purchase outside of the contract because they think it is more convenient to do so, and the cost appears to be similar or even less expensive than the contracted pricing.

City does not have a fulsome list of contracts with additional discounts and/or rebates

As previously highlighted in the Auditor General's 2019 [Audit of Interface Invoice Payments](#), PMMD does not maintain a fulsome list of contracts where discounts and/or rebates can be applied to purchases. Therefore, we were not able to easily determine the total amount of rebates lost during our audit period. The Auditor General recommendations from the 2019 audit related to improving the tracking and recovery of contracted rebates have not yet been fully implemented.

Contract discounts and rebates are not applied to non-CRO purchases

In addition, there is currently no City process in place to ensure discounts and rebates are applied on purchases outside of the CRO process. Therefore, when spending with the same vendor for the same or similar items is not consolidated, the City misses out on savings from contract discounts and rebates. The following case study illustrates how rebates and discounts offered by contracts impact the actual cost to the City, and the magnitude of lost savings because they cannot be applied to purchases outside of the CRO process.

Case Study 2: Impact of Contract Rebates and Discounts on Purchase Cost

The City has a set of blanket contracts with an electrical supplies vendor. The contracts offer a 10 per cent volume rebate, and an additional six per cent discount when payment is made within 20 days.

Contract rebates and discounts lower the cost of specific contract items to the City. For example, a heater purchased through the contract is invoiced at \$151.80. However, after applying the volume rebate and early payment discount, the actual cost to the City could be as low as \$127.51. The online retail price for the exact same heater is \$153.00. Therefore, even though the retail price appears to be similar to the contract price, if purchased directly online, it will end up costing the City up to 20 per cent more than if it had been purchased through the contract.

Without established city-wide processes in place, rebate and discount savings are missed when staff purchase outside of the CRO process, even though the contracts permit volume rebates on *“all purchases made from the Price Appendix and Purchases made from the catalogue”*. Between January 2022 and June 2024, divisional staff made nearly \$222,000 in purchases with this vendor using DPOs or PCards. We estimate that the City could have saved over \$22,000 from volume rebates and over \$13,000 from early payment discounts, if these purchases had instead been made through the CRO process, or if the City received contract rebates and discounts on non-CRO purchases.

City should make full use of contracted pricing, rebates, discounts, and other benefits, where possible

To make full use of the benefits offered in contracts and to optimize purchase savings, where possible, the City should identify opportunities and methods to incorporate and apply contracted pricing, rebates, and discounts to purchases made via DPO or PCard with the same contracted vendor for the same contracted items.

B. 3. Opportunity for the City to Obtain Member Benefits from Corporate Programs of Some Commonly Used Vendors

Some commonly used vendors offer corporate programs with member benefits

Currently, staff may be using their personal accounts or memberships to make purchases online and in store, when using their PCards. About 20 per cent of PCard purchases made online and in store are from commonly used vendors and open-market platforms (providing access to a variety of sellers through a central online portal) with membership programs. Some of these suppliers offer corporate and/or public sector members benefits such as free shipping, discounted pricing, rebates, customized recommendations based on shopping habits, ability to restrict items or categories available for purchase, data analytics or spend reports. However, because the City has not implemented these programs, it is missing out on the opportunity to receive these benefits.

In addition to cost savings, joining corporate programs can enable the City to have better visibility and controls over purchases made through commonly used vendors and open-market platforms. Moreover, many platforms offer order tracking and spending summaries, making it easier for the City to plan and budget future purchases and identify where consolidating purchasing into corporate blanket contracts would be beneficial.

Commonly Used Vendors with Corporate Programs

Corporate programs exist for common vendors of some spending categories

There are some categories of spending where divisional staff make PCard purchases at common retailers that offer corporate programs with varying level of benefits.

For example, small building materials and hardware is an area of spending where divisions often purchase from commonly used vendors. From January 2022 to June 2024, City staff made over \$3.2 million in PCard purchases from commonly used vendors with corporate and/or public sector programs offering rebates or discounts of up to five per cent, depending on the program.

Open Market Platforms with Corporate Programs

Open market platforms also offer corporate programs

Some municipalities, universities, schools, and hospitals (MUSH) sector jurisdictions have joined corporate programs with open market platforms. Although divisions regularly make purchases through open market platforms, to date, the City has not conducted any formal procurement processes to select commercial platforms.

Potential savings from joining corporate programs

From January 2022 to June 2024, City staff purchased over \$2.4 million via PCard from one open-market platform. If the City were to enroll in its corporate program and obtain discounts of five per cent on purchases through the platform²¹, we estimate that this could have resulted in over \$120,000 in savings for the City. In addition, similar low dollar value purchases from other open-market platforms (totaling at least over \$1.6 million) could potentially be consolidated to the same platform for further savings.

Whether or not the City becomes a member of any corporate programs, staff are making purchases from these vendors for price, convenience, and/or other considerations. We recognize that the City must also balance Social Procurement Program and other policy objectives, such as ensuring there is business with local suppliers and small businesses. Some of these local suppliers and small businesses also sell their goods on the open-market platforms.

Consider joining corporate programs to take advantage of member benefits

The City should review the feasibility and appropriateness of joining corporate programs to take advantage of member benefits. In doing so, the City may consider feedback from other jurisdictions and broader public sector organizations participating in the programs.

²¹ For common categories of products, the platform appears to offer its business account members quantity discounts ranging from five to ten per cent.

B. 4. Centralized Approach Needed to Improve City-wide Category Management for Low and Medium Dollar Value Spending

Centralized approach for strategically planning and coordinating procurement across all City divisions for low and medium dollar value purchases

A centralized city-wide approach for strategically planning and coordinating procurement across all City divisions is needed for low and medium dollar value purchases. This approach involves providing strategic support to divisions to better understand city-wide procurement needs and effectively planning procurements and contracts to address those needs.

Enhancing city-wide analysis will improve category management for low and medium dollar value spending

To effectively provide support, PMMD should enhance its reviews of divisional purchasing. In particular, analyzing purchases collectively across all divisions will improve the City's ability to identify potential city-wide opportunities for improved category management and to leverage its buying power.

PMMD's focus for category management has been on more complex and higher dollar value opportunities. The City would also benefit from city-wide reviews of divisional purchasing of similar goods and services across all divisions and/or procurement channels for low and medium dollar value purchases.

PMMD reviews focus on divisional DPO compliance

Currently, PMMD conducts periodic compliance reviews of DPOs on a division-by-division basis using a risk-based approach and based on available resources. These reviews primarily aim to identify divisional DPO purchasing that is not completed according to policies and procedures and areas where additional guidance and training is needed to reinforce compliance. We found that the compliance reviews were not performed regularly and there is no follow-up to confirm issues are actioned and resolved due to limited staff.

Sometimes these compliance reviews identified multiple or repetitive divisional DPO purchases for the same items, where purchasing should be consolidated or where an existing blanket contract should have been used. Even so, these purchasing activity reviews are often only completed on a division-by-division basis rather than on a consolidated city-wide basis.

Divisions, PMMD, and Accounting Services each review parts of purchasing

In addition, reviews of divisional purchasing made via different channels (PO, DPO, PCard, blanket contracts) are conducted separately and by different teams in PMMD, Accounting Services, and divisions, even though a given division is making the same or similar purchases via different channels.

Collective analysis across all divisions will help to identify opportunities for savings and efficiencies

A centralized approach that collectively analyzes all divisional purchasing will enable the City to identify broader opportunities for improving category management to increase savings and/or operational efficiencies.

Consideration factors for further analysis and action, should include:

- Opportunities to further consolidate purchasing and implement changes for future purchasing where possible, as well as lessons learned and assessments of savings and outcomes from previous blanket/co-operative purchasing contracts.
- Categories of purchasing where the City's Social Procurement Program and other policy objectives are to be prioritized over operational efficiencies and cost savings that arise from consolidating purchasing with clear guidance to divisions on actions to be taken to advance those objectives.
- Opportunities and methods to incorporate and apply contracted pricing, rebates, and discounts to purchases outside of existing Contract Release Order process, and ways to leverage vendor technology (e.g., online portals, corporate accounts) where appropriate.
- Feasibility and appropriateness of joining corporate programs with member benefits offered by commonly used vendors and open-market platforms for low dollar value goods and services.

We recognize that when looking for opportunities for improved category management, the City needs to balance the costs (such as resources required to analyze and consolidate purchasing), benefits (such as operational efficiencies and savings from discounts, rebates, and other benefits), and impacts to consolidating spending (including the impacts on Social Procurement Program and other policy objectives).

**Better data is needed to
conduct effective analysis**

The quality of data captured also limits the City's ability to conduct meaningful analyses. It is currently challenging to identify common items being purchased or common vendors being used without further data cleansing. PCard data also only captures the total payments of the entire transaction without unit prices and quantities to facilitate better understanding of cost components (e.g., whether there is shipping fee, service charge, or what is the amount for taxes) and price comparison. Better data would support more effective analysis.

Recommendations:

- 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.**

Conclusion

Low dollar value purchases represent a significant portion of the City's total volume of purchases made each year.

This audit highlights that the City's processes for low dollar value purchases can be improved to provide more flexibility in order to support quick and cost-effective procurement while maintaining compliance.

Six recommendations to improve operational efficiency and cost savings

Implementing the six recommendations in this report will enable the City to improve operational efficiencies and cost savings for low dollar value purchases.

Centralized leadership is needed to ensure a city-wide approach for procurement planning and analysis

The Chief Procurement Officer and PMMD have a central leadership role in ensuring a city-wide approach for procurement planning and analysis across all City divisions. PMMD can help increase operational efficiencies and savings across the City for low dollar value purchases, by providing strategic support to divisions in conducting effective procurement planning and delivery with a city-wide lens.

Operational efficiency and cost savings in low dollar value purchases can be achieved by:

- **Expanding PCard use** to achieve administrative efficiencies, including considering its adoption as a purchase-and-payment tool
- **Reviewing the threshold for divisional discretion over lower dollar value purchasing** to ensure it appropriately balances objectives of operational efficiency, value for money, and openness, fairness, and transparency in public procurement
- **Enhancing training, guidance, and information sharing** for divisional staff to improve procurement planning, operational efficiency, and compliance of procurement processes

- **Strengthening analysis and management of spending categories** across all divisions and procurement channels
- **Consolidating purchases to increase the City's buying power**, where appropriate, while considering Social Procurement Program and other policy objectives
- **Applying contracted pricing, rebates, and discounts** to non-CRO purchases to maximize savings where possible
- **Obtaining member benefits through corporate programs** offered by commonly used retailers and open market platforms where possible

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 enhancement.

Many of the recommendations can be extended to medium dollar value purchases (up to \$120,000).

**Thank you to
management and staff**

We would like to express our sincere appreciation for the cooperation and assistance we received from the management and staff of PMMD and Accounting Services, as well as all divisional staff who participated in the audit interviews and surveys.

Audit Objectives, Scope and Methodology

Auditor General's Work Plan included a review of low dollar value purchases for potential efficiency savings

The Auditor General's 2024 Audit Work Plan²² included a review of the processes for low dollar value purchases and the potential for efficiency savings. For the purpose of our audit, we defined low dollar value to be purchases under \$3,000.

The Purchasing & Material Management Division (PMMD) partners with all City divisions, designated agencies and corporations in order to procure goods and services at the best value. The Corporate Accounts Payable unit under the Accounting Services Division is responsible for executing payments to City vendors as well as the overall administration of the Purchasing Card (PCard) Program.

Audit Objective

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

Audit Scope

This audit focused on low dollar value purchases made through purchase orders (POs), divisional purchase orders (DPOs), PCard, and blanket contract / contract release orders (CROs) from January 2022 to June 2024. Data for July 2024 to December 2024 was only obtained to provide calendar year statistics for 2024.

Areas not Covered in Scope

Compliance with existing procurement policies and procedures and the PCard Program Policy were not the focus of this audit, though results from compliance reviews conducted by PMMD, Accounting Services, and divisions on DPOs and PCard purchases were considered in assessing potential impacts of policy changes on operational risks and efficiencies.

²² [Auditor General's Office 2024 Work Plan and Budget Highlights](#)

Methodology

Our audit methodology included:

- Reviewing municipal bylaws, corporate policies and procedures related to procurement and purchase payment
- Conducting walkthroughs of procurement and/or workflow management systems that various divisions use for purchase requests processing and documentation, including:
 - Request to Procure Goods and Services (RPGS) system
 - FMD (Facilities Management) mobile app
 - SAP Xponential module (i.e., PCard module)
- Analyzing procurement request and transaction data, including:
 - PCard transactions
 - PMMD issued PO, DPO and CRO transactions
 - Posted invoices
- Interviewing 19 staff from 10 divisions, including purchase request processors and approvers, divisional financial services team leaders, and PCard users and reviewers
- Reviewing results of survey responses received from 123 staff from 35 divisions on procurement and payment activities
- Reviewing supporting documents of a sample of purchases, judgementally selected to cover common categories of low dollar purchasing, including:
 - Call documents, legal agreements and associated amendments for 15 blanket contracts
 - Quote solicitation supporting documents for 80 DPOs across 17 divisions
 - Supporting documents for over 200 PCard transactions across eight divisions
 - Detailed line items for 45 DPOs and 85 PCards compared to blanket contract line items for the same vendors
- Conducting online research on thresholds for direct purchasing / limited solicitations / open competitive procurements and PCard usage, including requesting additional information from nine jurisdictions in Ontario
- Conducting online research on corporate programs of commonly used vendors
- Other procedures deemed relevant

Limitations

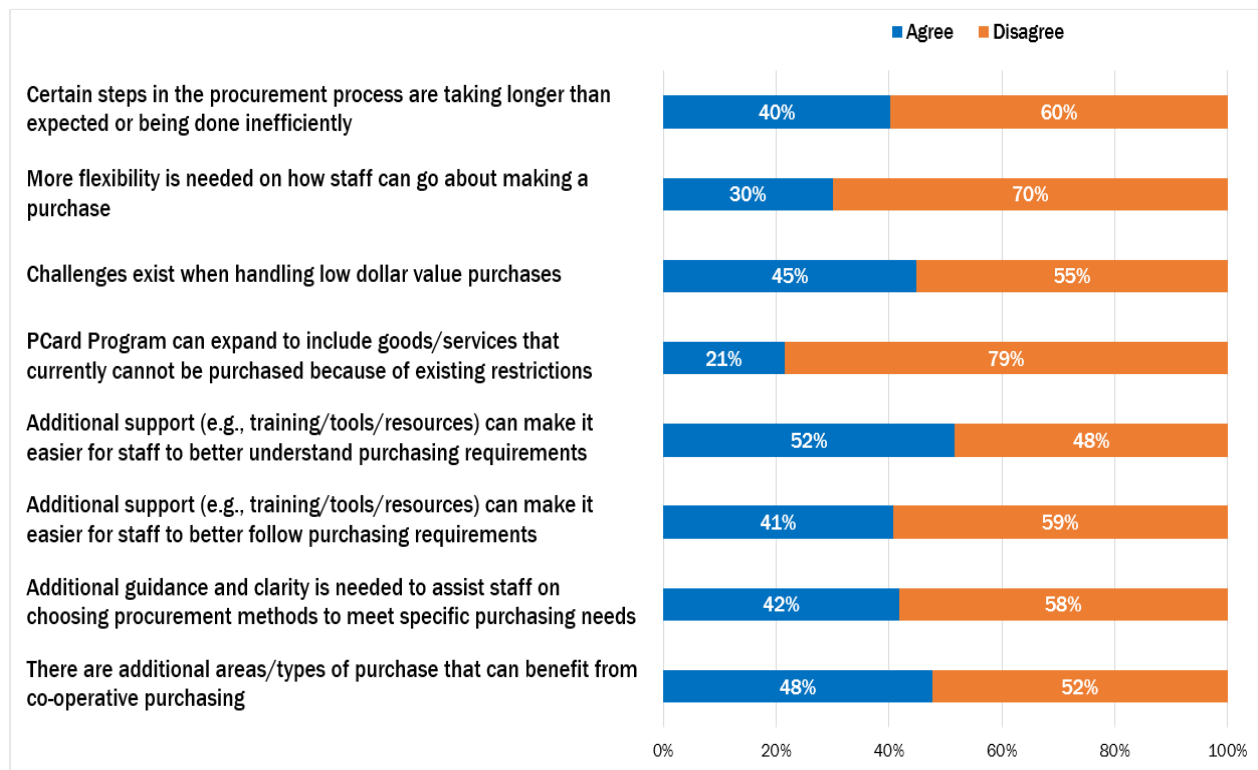
Our findings and conclusions were based on the information and data available at the time of the audit.

- Our analyses of procurement request and transaction data were limited to records and information retained in information systems and provided by divisions. However, this did not limit our conclusion on the overall objectives.
- Our analyses of survey responses were limited to answers provided by respondents. Out of over 400 individuals across 42 divisions to whom we sent the anonymous online survey, 30 per cent responded to the survey, including 20 per cent who completed the survey in full.

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: Challenges and Areas of Improvement Highlighted by Survey Respondents on Handling Low Dollar Value Purchases



Appendix 1: Management's Response to the Auditor General's Report Entitled: "Audit of the City's Low Dollar Value Purchases: Increasing Efficiency and Cost Savings While Balancing Other Procurement Objectives and Maintaining Compliance"

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: a) ASD agrees with the recommendation and will partner with PMMD to explore expansion of low dollar value purchases and update policies, guidelines and training as needed. Given current organizational priorities with respect to FSTP go-live, we anticipate completing the required assessment by Q4 2026. b) ASD agrees with the recommendation and is currently identifying vendors that will accept PCard as a form of payment. The functionality to use PCard as a payment method for DPOs and Purchase Orders is included in the scope of the City's new financial system that is estimated to go-live in Q2 2026.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: PMMD agrees with the recommendation. In collaboration with City divisions, PMMD will review the thresholds, criteria, and procedures for divisional purchase orders, including divisional compliance with the current Divisional Purchase Order Procedure. The review will also ensure that any changes continue to support compliance with procurement policies, while still advancing the City's Social Procurement Program and other strategic objectives. Completion by Q4 2026.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: PMMD agrees with the recommendation. PMMD, in consultation with Divisions, will examine how to make information on low-dollar value divisional purchase orders publicly available through the City's open data platform, including identifying where multiple quotes were not obtained. This work will be coordinated with broader transparency and reporting initiatives currently underway to ensure alignment and consistency in the sharing of procurement information with the public. Given the current organizational priorities regarding FSTP go-live and SAP Buying and Invoicing, as well as the alignment of updated procedures, we anticipate completing the review by Q4 2026. N/A for ASD. However, note that Pcard transaction data is currently published on Open Data monthly.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: ASD agrees with the recommendation and will provide updated annual training to Pcard owners after the new system goes live. Expected completion in Q4 2026. PMMD agrees with the recommendation and will review and update existing guidance related to divisional purchasing. As part of this process, we will identify areas where additional clarification or direction may be needed and develop targeted training and resources to support staff in understanding and applying the updated procedures effectively. Completion by Q4 2026.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: PMMD agrees to prioritize the analysis of low and medium-dollar value purchases as part of Category Management, in consultation with Divisions as part of procurement planning. Completion by Q4 2026.

Recommendation 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.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame: The City Manager will forward this audit report to the parties suggested by the Auditor General following its adoption at Council, to encourage diligence and coordination with the City for procurement of low and medium value purchases. This will be completed by Q3 2025.

**AUDITOR
GENERAL**

TORONTO