

**Presentation to City Audit Committee  
on July 11, 2025  
Agenda Item AU9.8**

# **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**  

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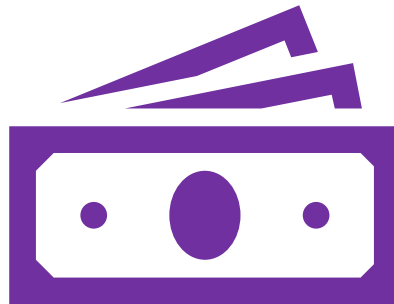
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# Presentation Overview

1. Audit Objective, Definitions, and Audit Approach
2. Why this Audit Matters
3. Key Audit Findings and Recommendations
4. Closing Remarks

# Audit Objective

Are the City's processes providing sufficient flexibility to support **quick** and **cost-effective** procurement of low dollar value purchases, while maintaining **compliance**?



## Definitions Used – Low and Medium Dollar Value Purchases

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

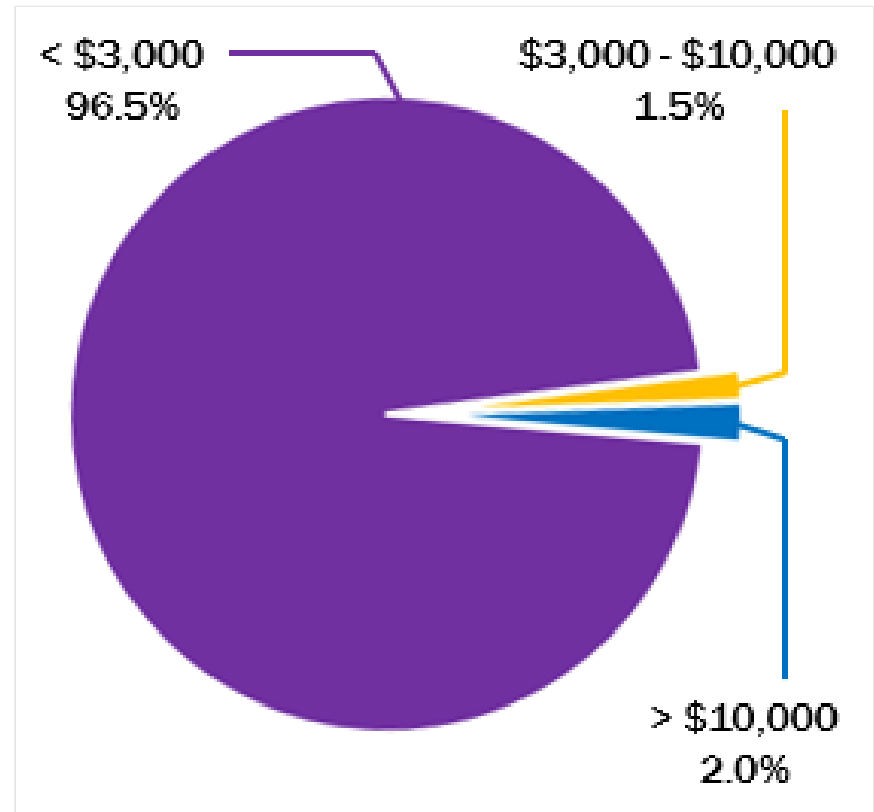
# Audit Approach

- **Benchmarking** research on:
  - Thresholds for direct purchasing / limited solicitations / open competitive procurements
  - Purchasing card (PCard) usage
- **Interviews** of 19 staff from 10 divisions
- **Survey responses** received from 123 staff from 35 divisions
- **City-wide data analysis** of divisional purchases to identify categories of same/similar purchases from same / different vendors including those where contracts exist
- **Sample of divisional purchases** (125 DPOs, 285 PCard Purchases, 15 Blanket Contracts)

# Why This Audit Matters

- Low dollar value purchases make up **96.5%** of the City's annual purchasing volume
- Any efficiencies can have a significant impact to divisional operations

**Transaction Count of Low Dollar Value Purchases as a Percentage of PO/DPO/PCard Purchases, 2024**



# **Key Audit Findings and Recommendations**

- A. Improving Operational Efficiency of Low Dollar Value Purchasing**
- B. Better Manage Spending Categories to Maximize Cost Savings**



## **A. Improving Operational Efficiency of Low Dollar Value Purchasing**



# Expand Use of Purchasing Cards (PCards)

- 2009 audit recommendation on expanding the PCard Program
- Estimated efficiency and rebate savings from expanding PCard use as a payment tool

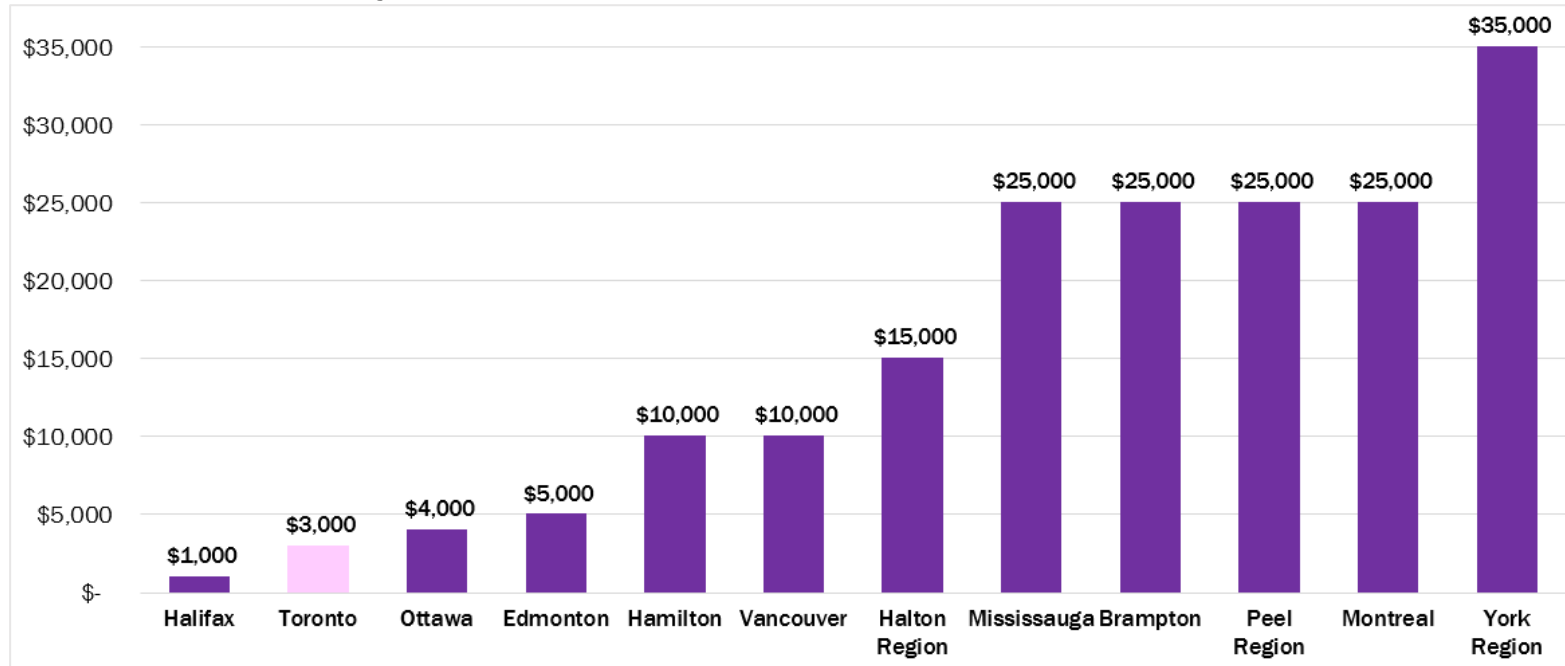
Efficiency Savings	Additional Rebates
\$204k - \$306k annually	Up to \$570k annually

\* Savings will be impacted if vendors do not accept PCards or add a surcharge

- Consider expanding PCard use:
  - a. in lieu of DPOs for low dollar value purchases
  - b. as a payment method for POs and DPOs

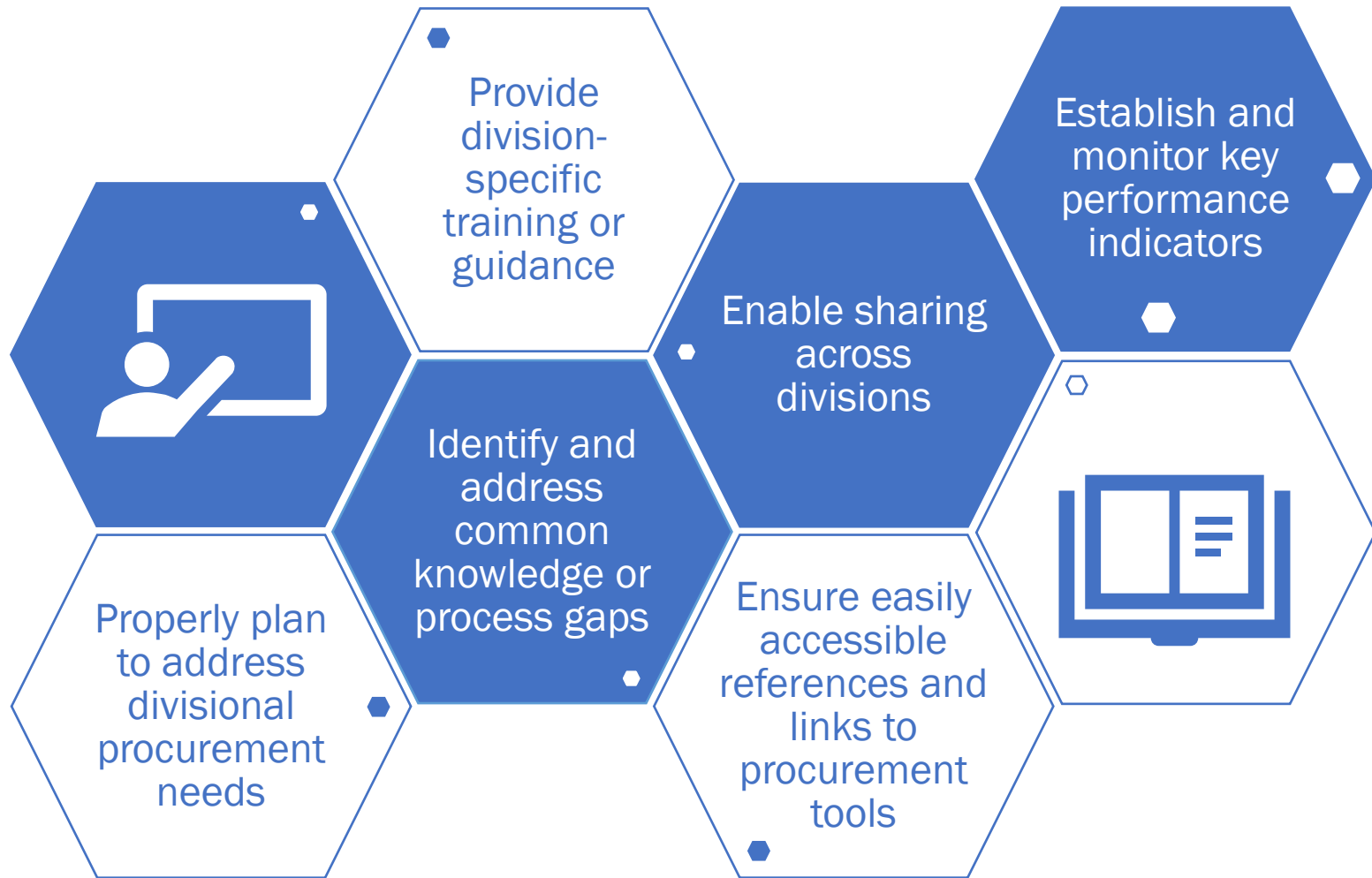
# Review Thresholds for Requiring Multiple Quotes

- The City's current \$3k threshold for requiring multiple quotes is lower than many other municipalities



- \$67,000** in potential savings for every hour of administrative efficiencies gained on all 1,235 DPO/PCard purchases between \$3k-\$10k

# Enhance Training and Guidance for Staff



*Key training and annual refreshers should be mandatory for staff involved in conducting and approving divisional purchasing*



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

# Better Manage Spending Categories to Maximize Cost Savings

- Analyze low and medium dollar value purchases collectively across **all divisions** and **all procurement channels** to have a holistic view of overall purchasing needs
- Balance **costs**, **benefits**, and **impacts** to Social Procurement Program and other policy objectives, when looking for opportunities to improve category management

# Better Manage Spending Categories to Maximize Cost Savings

- Divisions separately buy the **same/similar items** from different vendors or the same vendor but through **different procurement channels**, sometimes even when contracts exist
- There are opportunities to:
  - Obtain better pricing by consolidating buying power
  - Maximize contract rebates, discounts, and other benefits
  - Leverage corporate and/or public sector programs with member benefits

# Closing Remarks

- 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
- City Manager to forward this report to agencies and corporations to consider relevance of recommendations
- Implementing the recommendations in this report will help the City **improve efficiency, reduce cost, and encourage compliance** when conducting low dollar value purchases
- Management agrees with all **six recommendations**

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