

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 27, 2017

Item 3, Report No. 6, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 27, 2017.

3 INTERNAL AUDIT REPORT – EMERGENCY, SOLE AND SINGLE SOURCE PROCUREMENT

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Director of Internal Audit, dated June 6, 2017, be approved; and
- 2) That Communication C6 presentation material entitled, “*Emergency, Sole and Single Source Procurement Audit*”, be received.

Recommendation

The Director of Internal Audit recommends:

1. That the Internal Audit Report on the Audit of Emergency, Sole and Single Source Procurement be received.

Contribution to Sustainability

Internal Audit activities and reports contribute to the sustainability of the City by providing advice and assurance that controls supporting the delivery of services and programs are effective. Longer term sustainability needs the support of good, efficient risk mitigation strategies. Internal Audit can provide support for that sustainability by providing independent advice and assurance.

Economic Impact

There are no direct economic impacts associated with this report.

Communications Plan

Not applicable.

Purpose

To present to the Finance, Administration and Audit Committee the Internal Audit Report on the Audit of Emergency, Sole and Single Source Procurement.

Background - Analysis and Options

The City's Consolidated Purchasing Policy (PS – 003) outlines the authorization levels for all purchases of goods, services and construction based on specific criteria and thresholds. The City's purchasing policy was implemented in 2012 and it is the governing document for the scope period of this audit.

In 2016, Procurement Services processed 484 transactions, resulting in a procurement value of \$95.6 million. An additional \$6.7 million was procured as LVP and \$1.9 million in P-Card purchases.

Of the \$95.6 million in purchases, there were 111 sole and single source transactions valued at \$5.1 million. Sole sourcing occurs when there is only one known vendor who is able to provide a good or service. Single sourcing occurs when there may be more than one source of supply in the open market but only one of these is considered on the grounds that it is more cost effective or beneficial to the City.

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The Consolidated Purchasing Policy defines emergency to mean an event or circumstance where the immediate purchase of goods, services or construction is necessary to prevent or alleviate serious delay, a threat to public health, safety or welfare, the disruption of essential services or serious damage to public or private property or any other expenditure that is necessary to respond to any such event and may include, but is not limited to, an emergency declared under the Emergency Management and Civil Protection Act. Of the \$95.6 million in purchases that were processed by Procurement Services, there were 36 emergency transactions valued at \$527,067.

Over the last few years, management has made several improvements to the procurement process. These changes include the successful implementation of the Purchasing Card program which has reduced administrative effort and improved flexibility and control over the lower dollar value spend. Additionally, the implementation of a Bids and Tenders portal has enabled automated notifications of bid opportunities and online preview and download of bid documents by supply community. The establishment of annual procurement planning process in collaboration with client departments has also allowed for increased focus on customer needs and better workload management.

The Procurement Modernization project is one of the ten Service Excellence Strategic Initiatives which supports improving the City of Vaughan's operational performance to enable the delivery of Term of Council priorities. The purpose of this project is to transform Vaughan's procurement function by modernizing business processes, reviewing governance, policies and capacity, and leveraging technology. As part of the Procurement Modernization initiative, a new procurement policy was approved by Council on March 21, 2017.

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate risks associated with emergency, sole, and single source procurement.

The audit of Emergency, Sole and Single Source Procurement was requested and approved by Council on November 15, 2016.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

This report supports the Term of Council Priority: Continue to Advance a Culture of Excellence in Governance, and the Service Excellence Initiative: Demonstrating Value for Money.

Regional Implications

Not applicable.

Conclusion

Nearly all of the transactions sampled as part of this audit were compliant to policy. However, this does not necessarily mean that the most appropriate procurement method was chosen based on the justification provided. Improvements are required to ensure that risks related to these types of purchases are effectively and efficiently mitigated. The following opportunities were identified:

- Developing and implementing a City wide strategic sourcing framework.
- Expanding analysis and reporting of spend data with the purpose of highlighting procurement performance, trends, opportunities and non-compliance issues in order to strengthen overall procurement oversight.

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- Providing greater oversight and scrutiny over non-competitive purchases to ensure appropriate procurement methods are used.

We will follow up on the status of outstanding Management Action Plans related to this audit and will report the status to the Finance, Administration and Audit Committee.

Attachment

1. Internal Audit Report – Audit of Emergency, Sole and Single Source Procurement

Report prepared by:

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Audit Project Manager

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)