

Subject: FW: March 6 FAA, Report No. 3, Item 1 Procurement

From: Richard Lorello [REDACTED]
Sent: Friday, March 3, 2017 2:46 PM
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Subject: March 6 FAA, Report No. 3, Item 1 Procurement Modernization Update

Good afternoon Mayor and Members of Council

I request that the City Clerk please post this communication on the City website as it relates to the above subject matter.

I have reviewed the Procurement Modernization recommendations and I have several concerns which I would like to bring to Council's attention.

Drawing on my own personal management experience with consultants, it is my professional opinion that this report falls far short of what a comprehensive consultant's recommendation should look like and also raises concerns on spending policy. There are gaps within this report that would be evident to any university business administration student. As a result it does not provide the public nor Council with all of the information needed to make an informed decision. I have highlighted a few;

1. The report states that SEG Management Consultants provided its recommendations as a result of **"conducting stakeholder consultations"**. Unfortunately the consultant failed to include the most important stakeholder within the procurement process which is the public. The consultant should have obtained at least some input from the key stakeholder in the procurement process through public meeting consultations before providing its recommendation. This is a major oversight by the consultant. At the very least, staff should directed the consultant to obtain input from the public?
2. The report states that SEG Management Consultants provided its recommendations as a result of **"evidence-based research"** however the consultant failed to provide the socalled evidence-based research within the posted report. Where is the research that the consultant is referring to upon which this recommendation is based on?
3. The report states that SEG Management Consultants provided its recommendations as a result of **"municipal best practices"** however the consultant also failed in this regard, to provide any of the socalled municipal best practices within the posted report. If we are to take municipal best practices into account then the report should have included a comparison of which municipalities are considered "best-in-class" for procurement practices. Where is the consultant's comparison of municipal best practices upon which this recommendation is based on?
4. Over the years, the City of Vaughan and its taxpayers have seen and been victims of fraudulent procurement schemes from within the City, which have been well publicized. The new procurement

recommendations in this report do not provide enough information that would allay concerns that the public's tax dollars are protected from such abusive schemes. This report should have devoted more time to this area, specifically in the area of financial controls, checks and audit procedures.

5a). What should also be of great concern to Council is the use of the PCard which is inherently the proliferation of credit cards in virtually every city department. This method of purchasing does not allow for the proper scrutiny of purchases before the purchases occur and is not very different from the "field purchase order" which was banned by the city due to reported cases of abuse totalling millions of dollars and became the subject of at least one police investigation.

5b). I see opportunity for PCard abuse and in fact the use of PCard cards has higher spending limits than the field purchase order had and has the net effect of creating thousands of purchasing transactions, amounting millions of dollars in purchases with little to no spending visibility to the public or to Council. Organizations that are properly managed do not have to resort to credit card purchases. The monthly transaction limits are far too high and there is no justification for these limits. As an example a Deputy City Manager PCard has a monthly limit of \$50,000 which extends out to \$600,000 over 12 months and \$2,400,000 across all 4 Deputy City Managers. This is of great concern to me and would never be acceptable in the private sector.

In short, the lack of public consultation, non-existent evidence based research, non-existent municipal best practices, the lack of sufficient spending controls and the use of the PCard should cause Council to step back from this report until these issues are addressed.

Council is very much aware and must respect the fact that taxpayers provide millions of dollars annually needed to manage and maintain our city. Before any decision is made on this recommendation, I strongly suggest that Council request that staff obtain all of the information from the consultant referred to in the report and make it available to the public . I also strongly recommend that Council request that a public meeting be held in the evening for the purpose of engaging taxpayers for their input on the new procurement policy.

Without Council's serious consideration of the issues raised in this email, I fail to see how public confidence and trust can be increased as a result of the consultant's recommendation.

I look forward to discussing this further.

Sincerely
Richard T. Lorello