

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON APRIL 7, 2015
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	2014 COMPLIANCE REPORT IN ACCORDANCE WITH THE PROCUREMENT OF GOODS AND SERVICES POLICY

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer:

- a) As per the Procurement of Goods and Services Policy, Section 8.11 (c), an annual report of total payments required where a supplier has invoiced the City a cumulative total value of \$100,000 or more in a calendar year, **BE RECEIVED** for information (Appendix "A");
- b) The administrative contract awards for Professional Consulting Services with an aggregate total greater than \$100,000, as per Section 15.1 (g) of the Procurement of Goods and Services Policy, decentralized from Purchasing and Supply that have been reported to the Manager of Purchasing and Supply and have been reviewed for compliance to the Procurement of Goods and Services Policy, **BE RECEIVED** for information (Appendix "B");
- c) The list of administrative contract awards for Tenders with a value up to \$3,000,000 that do not have an irregular result, as per Section 13.2 of the Procurement of Goods and Services Policy, **BE RECEIVED** for information (Appendix "C");
- d) The City Treasurer or delegate is hereby delegated authority to at any time refer questions concerning compliance with the Procurement of Goods and Services Policy to the City's internal auditor and the City Treasurer or delegate is hereby further authorized to ratify and confirm completed awards or purchases between \$10,000 and \$50,000 where the City Treasurer or delegate is of the opinion that the awards or purchases was in the best interests of the Corporation;
- e) Subject to d), the Director of Financial Services and Manager of Purchasing and Supply certify the awards are in compliance with this Policy;
- f) Civic Administration **BE DIRECTED** to revise the Procurement of Goods and Services Policy with updated annual information reporting requirements to Committee and City Council.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Compliance Reports in Accordance with the Procurement of Goods and Services Policy:
 Corporate Services Committee, May 13, 2014, April 23, 2013;
 Finance and Administrative Services Committee, April 16, 2012;
 Finance and Administration Committee, April 13, 2011.

BACKGROUND

In accordance with the Procurement of Goods and Services Policy, Managing Directors submit an informational report no later than March 1st to the Manager of Purchasing and Supply containing the details of the informal quotation contract awards made under Section 8.5 (c) (i) and administrative contract awards made in their area to any Professional Consulting Service firms made under Section 8.5 (c) (ii) with an aggregate total greater than \$100,000 in their respective Service Areas.

To ensure complete transparency, an annual report of total payments is also required from the Financial Services area to document where a supplier has invoiced the City a cumulative total value of \$100,000 or more in a calendar year. This report outlines total amounts billed by and paid for expenses incurred in 2014. Expenses are shown alphabetically in Appendix "A". This reporting requirement pre-dates the much more thorough annual compliance reporting that has been provided to Council since 2010. This report is recommended to be discontinued for the 2015 reporting year since it serves as no valuable basis for auditing/compliance and is redundant in nature.

Legal accounts will be reported separately subject to solicitor-client privilege and the requirements of *MFIPPA*.

Administratively Awarded Tenders with a value up to \$3,000,000 that do not have an irregular result are shown in Appendix "C". This reporting requirement was requested by Corporate Services Committee on December 10, 2013.

The Procurement of Goods and Services Policy (current revision dated April 15, 2014) identifies spending thresholds and associated Procurement processes as per Schedule "A" which is shown in Appendix "D".

Methodology

The data for 2014 purchases between \$10,000 and \$50,000 was directly extracted from a JD Edwards General Ledger report for items that did not have Purchase Orders. This is the same process that was used for the 2013 reporting. This has been reviewed by the Manager of Purchasing and Supply for comparability to the Procurement of Goods and Services Policy. There were some minor items identified as a result of our review and all of these issues have been reviewed by the client Service Areas for root cause analysis, and corrective actions are being implemented by the Managing Directors.

A majority of these issues have been identified as minor findings between \$10,000 and \$15,000 and specifics of the issues have been communicated in each area and additional training has been provided, which will prevent future re-occurrences. Many other Canadian municipalities have recently raised their low dollar procurement threshold to \$15,000 and it is recommended that we give consideration to raise our current limit.

By providing the authority requested in Recommendation d) the City Treasurer or delegate will be able to identify and authorize any purchases that meet this criteria and can act on any items that may require internal audit attention.

Procurement Controls

The initiation of procurement is a controlled process at the City whereby staff must follow a controlled intake process that begins with a list of monetary approval limits established by Senior Administration. Procurement Initiation Approval forms are used by the Procurement Specialists/Officers to gather input and proper authorization to commence the bid solicitation process, and signing controls are used to verify authorizations.

Scope of Responsibility

This review is limited to the City of London only and does not include Boards and Commissions procurement.

Acknowledgements

This report was prepared by John Freeman with the assistance of the Finance Business Administrators, Laurie Green, Kyle Murray, Dave Purdy, Steve Whitmore, Doug Drummond, Gail Devito, Janice Brown and Lisa Karlovcec.

SUBMITTED BY:	CONCURRED BY:
JOHN FREEMAN MANAGER, PURCHASING & SUPPLY	ANNA LISA BARBON DIRECTOR, FINANCIAL SERVICES
RECOMMENDED BY:	
MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	

Attachments:

- Appendix "A" – List of Suppliers > \$100K Annual Spend, Section 8.11 (c)
- Appendix "B" – List of Appointment of Professional Consulting Services, Section 15.1(g)
- Appendix "C" – List of Administratively Awarded Tenders < \$3M Section 13.2
- Appendix "D" – Schedule "A", Procurement of Goods and Services Policy