

<b>TO:</b>	<b>CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING ON APRIL 16, 2012</b>
<b>FROM:</b>	<b>MARTIN HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>2011 COMPLIANCE REPORT IN ACCORDANCE WITH THE PROCUREMENT OF GOODS AND SERVICES POLICY</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the City Treasurer, Chief Financial Officer:

- a. the administrative contract awards, as per Section 8.11 (b) of the Procurement of Goods and Services Policy, which are greater than \$10,000 and less than \$50,000 without a purchase order, 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 "A");
- b. 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 "B");
- c. 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 "C").

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Finance and Administration Committee: 2010 Compliance Report in Accordance with the Procurement of Goods and Services Policy.

<b>BACKGROUND</b>
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**Procurement Annual Reporting Process**

In accordance with the Procurement of Goods and Services Policy, Executive Directors submit an informational report no later than March 1st to the Manager of Purchasing and Supply containing the details of the administrative contract awards made under Section 8.5 (c) for their respective departments and administrative contract awards made in their area to any Professional Consulting Service firms with an aggregate total greater than \$100,000. To ensure complete transparency, an annual report of total payments is also required from the Finance Division 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 2011. Expenses are shown by type in Schedule A, and alphabetically in Schedule B.

In certain cases, where payments are redirected to another payee, these charges are shown as owing to the redirected payee reflecting the recording of the entries in the Corporation's accounting records.

## **Procurement Annual Reporting Process...cont'd**

The information received under Section 8.5 (c) has been reviewed by the Manager of Purchasing and Supply for compliance to the Procurement of Goods and Services Policy. There were no non-conformances to the Policy discovered during this review.

### **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.

Immediate Action sheets are used by the Buyers to gather input and proper authorization to commence the bid solicitation process and signing controls are used to verify authorizations.

The process is guided by the Procurement of Goods and Services Policy as per Schedule A (page 36 of the Policy) without exception, this schedule is shown on Appendix E. Please see Appendix D for a flow chart of the processes utilized in the procurement process.

In a recent internal audit by PricewaterhouseCoopers (July 2011), the bid process for centralized Procurement was found to be in compliance with no non-conformances noted.

### **Best Value**

Best value for larger contracts is typically achieved through one of two processes:

- The Request For Tender (RFT) process where a product is specified and the lowest cost provider is chosen; or
- The Request for Proposal (RFP) process where a problem is presented in order to receive creative solutions. With an RFP, the lowest cost estimate may not be the best alternative, as an analysis of predefined criteria may indicate that a bid submission presented by another alternative provides better overall value.

### **Open, Fair, Transparent and Competitive**

In order to be open, fair, transparent and competitive, the process must be communicated well to ensure as many potential bidders as possible are aware of the contract. The process should be clear and unambiguous to ensure that all potential bidders are treated fairly and the document (particularly the specifications) should be structured in order to enable competing products to comply, while ensuring the integrity of the product. Transparency would dictate that once a process is set in motion, the same result occurs regardless of the person carrying out the functions and the result is clear to all.

### **Responsiveness**

The Policy allows for responsiveness to Council and Civic Administration requests based on business case analysis supporting best value to the Corporation through sole or single sourcing or alternative means. However, any adjustments to the procurement process must take place at the beginning of the process, since adjustments after the process is underway may be prejudicial to another involved party and put the Corporation at financial and reputational risk.

### **Scope of Responsibility**

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

### **Financial Impact**

None.

**Acknowledgements**

This report was prepared with the assistance of Tim Dobbie (Interim City Manager), John Braam (Acting Executive Director, Planning, Environmental and Engineering Services and City Engineer), Ross Fair (Executive Director, Community Services), Martin Hayward (City Treasurer, Chief Financial Officer) and their staff.

<b>SUBMITTED BY:</b>	<b>CONCURRED BY:</b>
<b>JOHN FREEMAN MANAGER, PURCHASING &amp; SUPPLY</b>	<b>MIKE TURNER DEPUTY CITY TREASURER</b>
<b>RECOMMENDED BY:</b>	
<b>MARTIN HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER</b>	

Attachments:

- Appendix "A" – List of Spending > \$10K and < \$50K with no Purchase Order, Section 8.11(b)
- Appendix "B" – List of Suppliers > \$100K Annual Spend, Section 8.11 (c)
- Appendix "C" – List of Appointment of Professional Consulting Services, Section 15.1 (g)
- Appendix "D" – Procurement Process Flow Chart
- Appendix "E" – Schedule A, Procurement of Goods and Services Policy

- c: Tim Dobbie
- John Braam
- Ross Fair
- Martin Hayward
- Mike Turner