

REVIEW OF THE CITY'S DIGITAL PRINT CENTRE

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Introduction

The City of Edmonton uses in-house and external services to meet its printing needs. These range from desktop printing, photocopying, using the City's Digital Print Centre (DPC) and obtaining printing services from external sources. The General Manager of Corporate Services requested that the Office of the City Auditor (OCA) review the City's printing services and provide recommendations on opportunities for consolidation and improvement. The objective of this phase of the review was to determine whether the DPC is providing printing services in an efficient, effective and economic manner, and whether its public/private partnership is achieving intended objectives.

Background

In 1995, the City Manager commissioned a study by an external firm that recommended amalgamation of the DPC managed by the Information Technology Branch (IT) and the Print Shop operated by the then Finance Department. The Print Shop functions were transferred to DPC in August 1996.

DPC is a 2,400 square feet facility located in the basement of Chancery Hall. DPC has laser-printing systems linked to corporate application servers and desktop computer systems via the City's corporate network. This network link provides City employees with access to DPC's equipment from the convenience of their desktop computer systems or corporate applications.

DPC's business operations are organized into two main categories, internal and external business. The internal business, which is tax levy funded includes printing for corporate applications and "ad hoc printing" which are special print requests from City departments. The external business consists of ad hoc printing for subsidiary corporations and entities external to the City of Edmonton. Funding for printing for the corporate applications is provided through the IT Branch budget while ad hoc printing is funded through direct charging to the user on a per job basis. DPC also has print contracts with two external print shops for undertaking jobs that can be done more economically by them with the costs for these jobs charged back to customers.

In 1999, DPC lost outside contracts with TELUS and EPCOR resulting in excess capacity and a weakened financial position. In an effort to overcome this, the City of Edmonton considered the option of a public/private partnership (P3). In April 2000, the City of Edmonton established a P3 contract for the DPC with a private organization (P3 Partner). The objective was to seek an innovative solution to improve the operations of DPC and put its employees and equipment to best use.

The P3 contract requires that the Partner manage the DPC on behalf of the City on a fixed and renewal contract basis, with a mandate to bring forward recommendations in a timely manner to enhance the operation and future viability of the DPC. The contract

provides for payment of a one-half cent charge per impression to the Partner over an agreed upon threshold for providing management, sales and marketing expertise to DPC. It also allows the Partner to print external jobs in DPC by paying for all measurable incremental costs and one cent per impression as a contribution to the City's fixed cost. The Partner bills and collects payment from all such external customers. The P3 contract was reviewed by the DPC Partnership Steering Committee in April 2001 and a further review will be undertaken in April 2002.

Xerox print systems were leased until December 2001. A technology refresh was undertaken and the City opted for leasing digital print technology from the P3 Partner and paying a per impression charge.

Audit Objectives

1. To determine whether DPC is organized, operated and managed in a manner that ensures costs are minimized and benefits are maximized while providing a high quality service. This review focussed on evaluating DPC's organization structure, business plan, pricing strategy, facility, technology, performance measures and other factors that enhance DPC's economic viability.
2. To assess whether the P3 contract is operating as intended and the expected outcomes are being realized. This review focussed on testing compliance to the terms and conditions of the existing contract and providing feedback on changes that can be considered for the upcoming checkpoint in April 2002.

Scope and Methodology

The scope of this review was restricted to an evaluation of DPC's operation and did not include internal printing undertaken by departments and external printing undertaken by Corporate Communications and other departments.

A joint risk/control assessment was undertaken by the OCA and DPC and the current status was assessed to arrive at action plans to improve DPC operations. Compliance testing analysis was undertaken as required to determine whether the P3 contract is achieving its intended objectives.

Summary of Results

Objective 1

Risk/control assessment sessions were planned, organized and facilitated by the OCA to jointly assess and improve DPC's operation. The OCA functioned as an agent of change in this portion of the review. Participants included the Manager of Operations, the Computer Facility Supervisor, DPC's Customer and Staff Coordinator (DPC City management) as well as the P3 Partner. Twenty-five risks were identified in a team setting along with ideal controls based on best practices and industry standards to

minimize these risks. The current status was assessed through meetings, analysis, walk throughs and a review of existing documentation. Thirty-four action plans were developed to minimize risks and improve DPC's organization structure, pricing strategy, reporting and other factors that enhance DPC's economic viability. Management has established implementation dates for all action plans and where possible, management took immediate action.

The City does not have a corporate printing strategy that maximizes benefits and minimizes costs for the City's overall printing requirements. The Corporate Services Department is in the process of reviewing overall printing requirements for the City. A one-stop print centre does not exist and departments make decisions independent of each other without leveraging the full potential of the City's external printing requirements. The General Manager of Corporate Services will initiate a corporate printing strategy for SMT's approval, with a view to maximizing benefits and minimizing costs for the City's overall printing requirements.

Objective 2

The P3 contract included six expected outcomes as per the City's Request for Proposal and the Partner's Proposal:

- There will be a net financial benefit to the City.
- There will be a measurable improvement in DPC's operating efficiencies and an improved utilization of the DPC's capacity.
- There will be an increase in the DPC's customer base within the City corporation.
- There will be a measurable improvement in service quality.
- There will be improved performance reporting for the DPC.
- There will be additional products and services available to the DPC's customer base.

In the last two years of operation, only the last expected outcome has been fully achieved. An equipment refresh was undertaken in October 2001 and DPC now has a colour copier. A Mac computer and various software products were also acquired to provide additional products and services to DPC's customers.

Volumes of 35 million, 50 million and 60 million were projected for the years 2000, 2001 and 2002 respectively if the DPC entered into a P3 partnership. This was to have resulted in a reduction in the net cost per impression from \$0.0673 in 1999 to \$0.0521 for City copies and \$0.0408 for the total images in 2002. These volumes were over-estimated with actual volumes of 14.2 million and 18.4 million achieved in 2000 and 2001. The projected volume for 2002 has been reduced to 17 million.

DPC does not have an accounting model that captures all its costs and allocates all pertinent revenue to report a net financial position in a complete, accurate and timely manner. City management for the DPC has not been able to clearly establish whether

there was a net financial benefit to the City and whether the P3 contract is a viable option. Information currently available suggests that overall, the net cost per impression for 2000 exceeded \$0.10 (projected \$0.0588) and for 2001 was approximately \$0.09 (projected \$0.0450).

DPC's price structure is not based on cost recovery. The options available to the City need to be revisited to ensure that printing services undertaken by the DPC are provided in an efficient, effective and economic manner. In the interim, the existing P3 contract needs to be reviewed and changed to provide realistic expected outcomes and a cost recovery to the City.

Formal quality standards and a mechanism for measuring improvements in service quality are not in place. Steps taken by the Partner to improve service quality include the equipment refresh, assessing and changing some staff duties, providing customer service training to DPC staff and providing technical access to the Partner's staff. Regular surveys need to be undertaken and a process implemented for obtaining feedback on a job basis to determine whether there is a measurable improvement in service quality.

DPC staff report monthly on equipment utilization and potential revenue. Expertise available in the Partner's organization needs to be utilized to improve performance measures reporting for the DPC. The P3 contract needs to be effectively managed through regular formal reporting.

A total of six recommendations have been made to the Information Technology Branch and the Corporate Services Department pertaining to a corporate printing strategy and the P3 contract. Management has accepted these and action plans have been developed to address all recommendations.

We would like to thank the staff of Corporate Services Department and the P3 partner for their cooperation and support during this review.