



Office of the City Auditor

1200, Scotia Place, Tower 1  
10060 Jasper Avenue  
Edmonton, Alberta T5J 3R8

[edmonton.ca/auditor](http://edmonton.ca/auditor)



# Sole and Single Source Audit

September 19, 2016

The Office of the City Auditor conducted  
this project in accordance with the  
*International Standards for the  
Professional Practice of Internal Auditing*

# Sole and Single Source Audit

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## Executive Summary

City Administrative Directive A1439C establishes the guiding principles and procedures for the procurement of goods, services and construction for the City. The expectations are that the City should receive best value for money spent and that the City demonstrates public procurement principles of fairness, openness, transparency and accountability. As such the City should use competitive bidding processes wherever possible while ensuring that sole and single source procurements are appropriately justified.

During this audit we tested a statistically representative sample of sole and single source procurements. We observed that procurement files do not include supporting documentation for New West Partnership Trade Agreement exception and for the justification of sole and single source procurements. Supporting documentation is currently kept in the business area. We believe supporting documentation on sole and single source procurements should be received and reviewed by Corporate Procurement and Supply Services as part of their oversight role.

We observed a lack of consistency in the coding of sole and single source procurements, Corporate Procurement and Supply Services signatures on the Competitive Procurement Exception Request form and completeness of procurement files. The Office of the City Auditor conducted a survey to Departments of the sole and single source process which indicated that Departments do not have a strong understanding of the process and that further training is required.

We observed, at the time of this audit, that Departments had the delegated authority sole or single source decisions under \$500,000. We also observed, in certain procurements files, Corporate Procurement and Supply Services had reservations related to procurements which still resulted in sole and single source procurements. As of June 28, 2016, with revisions to the City Administration Bylaw, the associated Delegations of Authority were changed. Corporate Procurement and Supply Services approval will now be required for all sole and single source procurements greater than \$25,000.

Additionally, through our analysis of the Directive and procedures, we observed that greater clarity on how procurements between \$10,000 and \$75,000 should be sourced is required. We have recommended that the Administrative Directive A1439C for procurement be revised to improve clarity on the process and on the roles of Corporate Procurement and Supply Services and Departments.

We also observed the use of numerous repeat suppliers through our three year spend analysis of non-competitive procurements. We have recommended that Corporate Procurement and Supply Services monitor and report on the use of repeat suppliers for sole and single source procurements to identify strategic sourcing opportunities. We believe this would provide best value for money spent.

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# Sole and Single Source Audit

## 1. Introduction

The Office of the City Auditor (OCA) *2016 Annual Work Plan* includes an audit of the City's use of sole and single source (non-competitive) procurements. Sole and single source procurements were identified by members of City Council as an area of growing concern. Recently, the Corporate Procurement and Supply Services (CPSS) Branch also assessed sole and single source procurements as higher risk activities.

The City strives to competitively procure all goods, services, and construction over \$10,000; however, there are instances that require sole and single source procurements. The purpose of this audit was to review the current procurement directive and related procedures and assess how effectively the City is managing sole and single source procurements.

## 2. Background

### 2.1. Procurement Directive

Administrative Directive A1439C, *Procurement of Goods, Services and Construction*, (effective date March 31, 2014) establishes the guiding principles, procedures and processes for the procurement of goods, services and construction for the City.

#### 2.1.1. Principles

The guiding principles identified in the Directive include:

- Provide best value for money spent
- Consistent with public Procurement principles of fairness, openness, transparency and accountability
- Consistent with City policies and directives
- Use competitive bidding processes wherever possible
- Ensure that Sole Source and Single Source Procurements are appropriately justified
- Buying power leveraged through corporate agreements or strategic sourcing
- Ensure suppliers are qualified, risks are assessed and full costs are included
- Procurements align with and support the goals within the Sustainable Purchasing Policy (environmental, social and economic)

#### 2.1.2. Trade Agreements

Guidelines in the Administrative Directive indicate that the City's purchasing practices must comply with all applicable trade agreements including:

**New West Partnership Trade Agreement (NWPTA):** This agreement between the governments of Alberta, British Columbia and Saskatchewan is intended to create a

barrier-free trade zone. Under this agreement, these provinces must avoid measures that impair trade, treat all businesses and workers fairly and be fully transparent. A bid protest mechanism was introduced on July 1, 2015 to ensure each province lives up to its commitments.

**Agreement on Internal Trade:** The Agreement on Internal Trade is a trade agreement between all Canadian provinces. Its purpose is to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investment within Canada and to establish an open, efficient, and stable domestic market.

CPSS monitors procurements to ensure that the City is compliant with the NWPTA and Agreement on Internal Trade. The NWPTA financial limits and exceptions are more restrictive than the Agreement on Internal Trade. Therefore CPSS only verifies City procurements against NWPTA financial limits and exceptions. The NWPTA financial limits states that all procurements of goods and services above \$75,000 and construction above \$200,000 must be tendered unless the procurement falls within one of the exceptions. Exceptions to this financial limit include: emergencies, only one supplier exists, need for confidentiality, no bids received from a tender call, promotional purposes, public or non-profit organizations, health and social service, intended for resale to public, and alternative energy.

## 2.2. Procurement Types

Procurements are made either through a competitive or a non-competitive process. Below are the general definitions for the two methods:

### 2.2.1. Competitive Procurement

A competitive procurement is a purchasing method in which the City publicly advertises the tender opportunity and interested suppliers may submit bids/proposals to provide for goods, services and construction. Bids/proposals are evaluated in accordance with the evaluation criteria and plan outlined in the tender documents and may include mandatory criteria and or weighted evaluation criteria. The average annual value of competitive procurements based on the last three years (2013-2015) was \$1.05 billion.

### 2.2.2. Non-Competitive Procurement

A non-competitive procurement is a purchasing method used by the City in which an open bidding/proposal process is not undertaken. Under this process a supplier is directly awarded a contract and only one bid/proposal or a limited number of bids/proposals is typically received. The City defines two types of non-competitive procurements:

**1. Sole source** – Where there is only one source of supply within the marketplace which can provide the good, service or construction. *Example: Only one equipment supplier can provide the required tractor part and is therefore selected.*

**2. Single source** – Where a business decision is made by the Department to use a single source of supply when other sources exist within the marketplace.



*Example: Three equipment suppliers can provide the tractor part but a justification exists to select one supplier by the Department.*

### 2.2.3. City Use of Sole and Single Sourcing

Table 1 below summarizes the City's sole and single source procurements (greater than \$10,000) from 2013 to 2015. Single source procurements make up 57% of all procurements by number but represent 30% by dollar value. From 2013 to 2015, the number and dollar value of total sole and single source procurements has declined 7% and 9% respectively.

**Table 1 – Procurements \$10,000 or Greater (2013-2015)**

Year	Sole Source		Single Source	
	# of Contracts	Total (millions)	# of Contracts	Total (millions)
2013	416	\$67	557	\$29
2014	442	\$57	549	\$27
2015	378	\$62	527	\$25
<b>Total</b>	<b>1,236</b>	<b>\$186</b>	<b>1,633</b>	<b>\$81</b>

On average per year, the City procures 956 sole and single source procurements valued at approximately \$89 million. Total sole and single source procurements represent 8% of the total average City procurement spend.

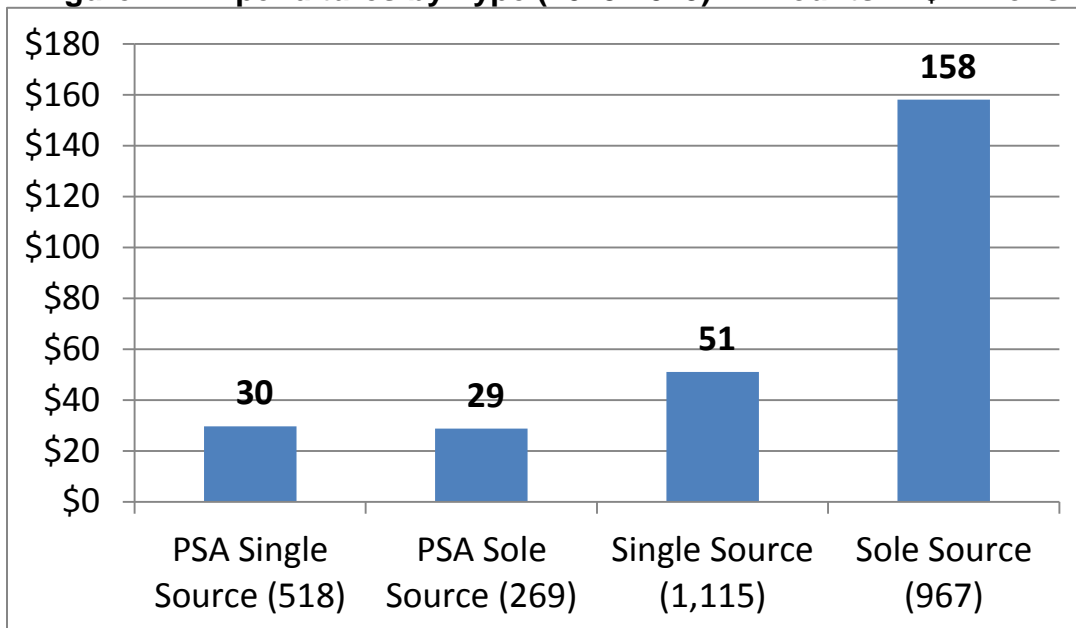
### 2.2.4. Procurement Award Codes

The City further categorizes sole and single source procurements into two types of purchasing activities: professional services agreement and non-professional services agreement. A professional services agreement itself is a written agreement which provides clear direction on the City's expectations, the services to be conducted, and the terms under which the services are provided. Examples of such services include management consulting, engineering, architectural, financial, actuarial, computing professionals and property assessment.

Any non-competitive procurement that is non-professional services agreement is classified as sole or single source procurement. The result of this further categorization is that there are four main types of "award codes" for non-competitive procurements (PSA): PSA Single Source (PS), PSA Sole Source (PJ), Single Source (SS) and Sole Source (J).

Figure 1 on the following page illustrates the City's spend by these four types. As shown, Professional Services Agreement sole and single source contracts represent 27% of all non-competitive procurements by number and 22% by dollar value. Single source contracts represent 39% by number and 19% by value. Sole source contracts represent 34% by number and 59% by dollar value.

**Figure 1 – Expenditures by Type (2013-2015) Amounts in \$millions**



Note: Number of procurements indicated below label.

CPSS recently completed the first stages of developing a risk-based control framework for procurement activities that links outcomes, risks, mitigation strategies and controls. An outcome of the risk-based framework was the risk assessment of sole and single source procurements. Through this assessment both single source types, Professional Services Agreement and non-Professional Services Agreement types were rated as high risk (where a decision is made to use a certain supplier when others exist). Professional Services Agreement sole and non-Professional Services Agreement sole source procurements were rated as medium level risk.

### 2.3. Sole and Single Source Process

Figure 2 on the following page provides an illustration of the sole and single source procurement process coordinated between the Department and CPSS.

#### 2.3.1. Department Role

The sole and single source process begins with the Department identifying a business need. As per the Directive, the Department is responsible to consult in advance with CPSS to determine whether the need should be sourced by a competitive or non-competitive procurement process. The Department is responsible to ensure budgeted funds exist prior to proceeding with the procurement. After the decision by the Department is made to sole or single source, the Department must obtain a quote, select a supplier and create a purchase requisition.

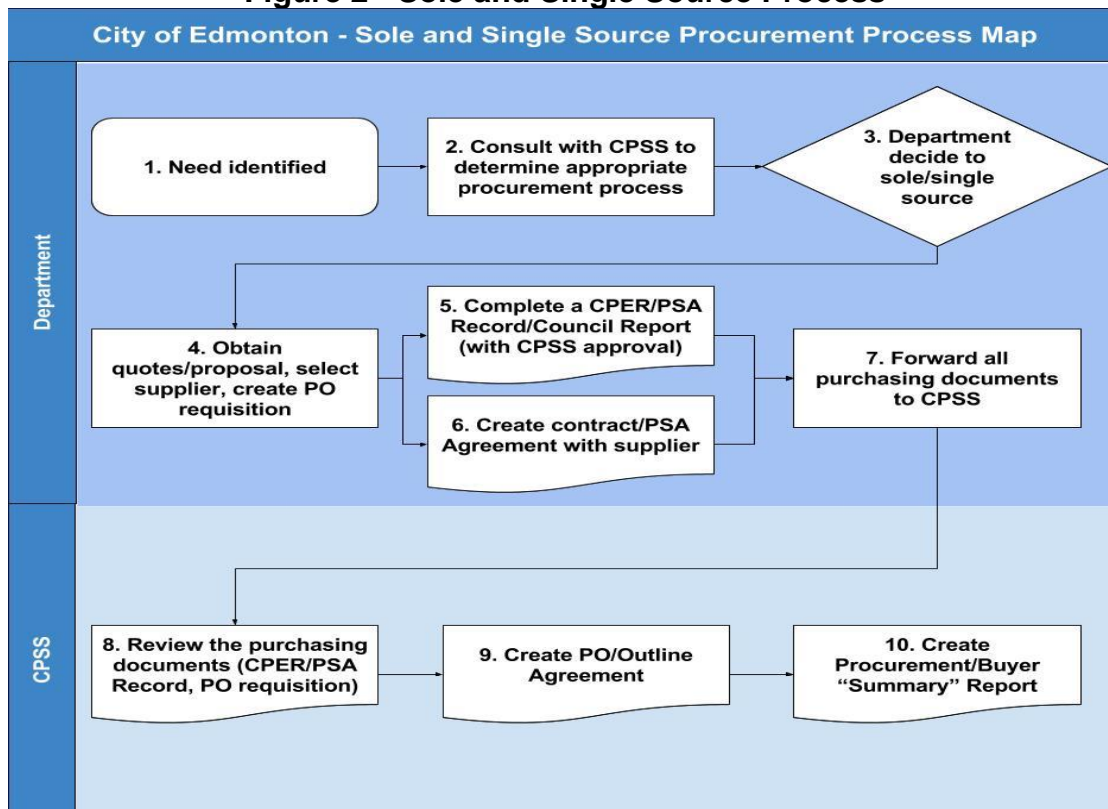
The Department is required to complete a Professional Services Agreement Record form (for professional services) or a Competitive Procurement Exception Request form (for non-professional services). The purpose of the Professional Services Agreement Record and Competitive Procurement Exception Request form are to document the

selection of the professional service provider or supplier, including justification for sole and single source and trade agreement exceptions. After CPSS reviews the Professional Services Agreement or Competitive Procurement Exception Request form, the Department where required, may then execute a contract or Professional Services Agreement with the supplier. The contract or Professional Services Agreement is forwarded to CPSS and in some cases copies of supplier information such as quotes and communications.

**2.3.2. Corporate Procurement and Supply Services Role**

CPSS is responsible for reviewing the procurement documents provided by the Department. CPSS reviews the Competitive Procurement Exception Request or Professional Services Agreement Record to ensure that the City is complying with trade agreements and that the proper Delegation of Authority within the Department for the sole and single source procurement is provided. CPSS then will review the quote or proposal to ensure it is consistent with the purchase requisition created by the Department. CPSS will then proceed to generate a purchase order or outline agreement (long term agreement for multiple procurements) which facilitates payment to a supplier. Procurement documents are retained by CPSS as part of their procurement file. Finally, CPSS will prepare a Buyer’s Report which includes summary information including award code, award pricing summary, justification for award and Department contact who approved the procurement. After the Buyer’s Report is completed, it is reviewed and signed by another CPSS staff member. These documents are then submitted for CPSS management review and signoff on the purchase order/outline agreement.

**Figure 2 - Sole and Single Source Process**



### **3. Audit Objective, Scope and Methodology**

#### **3.1. Audit Objective**

The audit objective for this project was to determine whether the City is complying with Administrative Directive A1439C, *Procurement of Goods, Services and Construction*. This directive provides guidance on the use of sole and single source procurement. We tested the following criteria:

- Processes and procedures for the awarding of sole and single source procurements align with Administrative Directive A1439C
- Sole and single source procurements comply with Administrative Directive A1439C
- Sole and single source procurements are effectively managed to provide best value for money spent

#### **3.2. Scope**

The scope of this audit included a review of processes relating to sole and single source procurement. The scope of testing was sole and single source contracts over \$10,000. Procurements below \$10,000 are acquired through Low Value Purchase Orders and Corporate Procurement Cards and were considered out of scope.

We randomly selected samples from sole and single source contracts from the period of March 31, 2014 (the effective date of the Directive) to January 31, 2016. We analyzed procurement trending data from 2013 to 2015 as this period includes procurements both before and after the date the Directive came into effect.

#### **3.3. Methodology**

In order to achieve our audit objective, we performed the following:

- Assessed Administrative Directive A1439C
- Assessed the current processes for sole and single source procurements
- Interviewed CPSS staff on procurement roles and procedures
- Analyzed sole and single source data for three year period
- Surveyed City staff relating to the effectiveness of the current Administrative Directive and related processes
- Tested a statistically representative sample of procurement files

We selected and tested a statistically representative sample size of 315 procurement files which provides a 95% confidence level and 5% margin of error. Therefore, our testing results are statistically representative of the City's overall sole and single source procurement activity. Of the 315 files, there were 6 procurement files that were unavailable for testing and 2 tender files which were misclassified as non-competitive. These eight files are noted in our results as exceptions (N/A).

## 4. Observations

### 4.1. Justifications

We observed that CPSS procurement files do not contain background documentation to support NWPTA exceptions and justifications for sole and single source procurement. Although this is not a requirement under the current Administrative Directive A1439C, we believe supporting documentation within the procurement files would provide better assurance of value for money and trade agreement compliance.

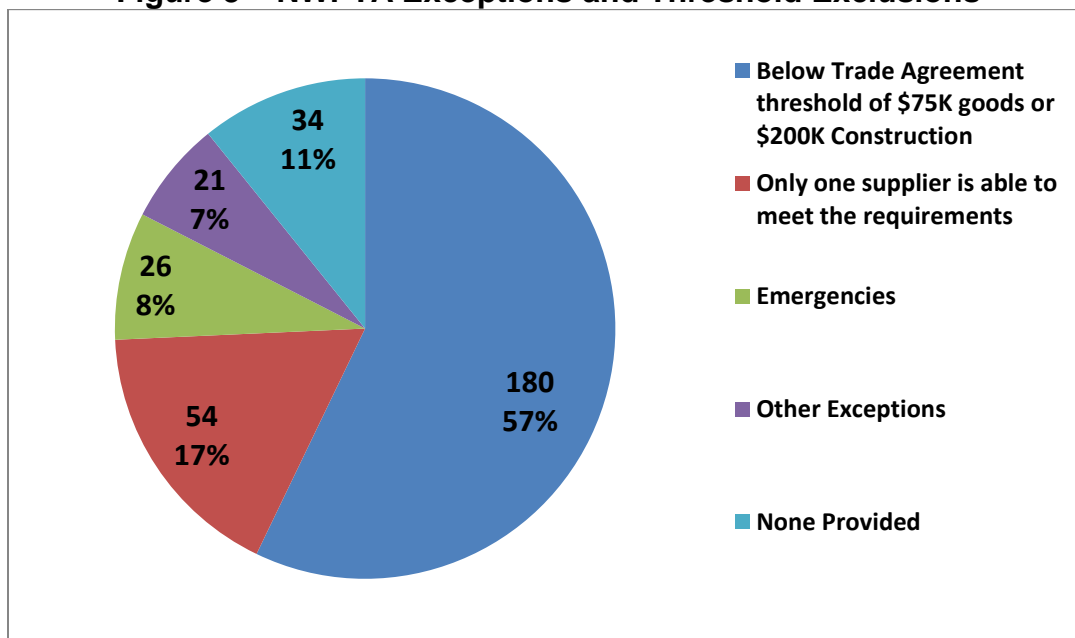
The role of CPSS is to review sole and single source procurements to ensure that trade agreement exceptions are justified and to ensure the proper Delegation of Authority in the Department has approved the procurement. In order to accomplish this CPSS reviews the information provided by the Department on the Professional Services Agreement Record form or Competitive Procurement Exception Request form. To date there have been no NWPTA bid protests registered against the City.

At the time of this audit, as part of their Delegation of Authority, Departments were responsible for supporting the justification for sole and single source procurements (less than \$500,000). As of June 28, 2016, with revisions to the City Administration Bylaw, the Delegation of Authority was changed. Effective immediately, CPSS approval will now be required for all sole and single source procurements greater than \$25,000. CPSS has indicated that Departments will have to provide supporting documentation for sole and single source procurements going forward.

#### 4.1.1. NWPTA Exceptions and Thresholds

Figure 3 below illustrates the NWPTA exceptions and threshold exclusions used for our sample of 315 procurements.

**Figure 3 – NWPTA Exceptions and Threshold Exclusions**



The NWPTA excludes all procurement values below the \$75,000 threshold for goods and services and \$200,000 for construction. In our sample of 315 we observed this exclusion used 180 times (57%). We confirmed that the purchase order or outline agreement was below the financial threshold (\$75,000 or \$200,000) for each of these procurements and therefore NWPTA compliant.

The most common exception identified by Departments for NWPTA was that “only one supplier is able to meet requirements” or essentially a sole source procurement. This exception was used for 54 procurements (17%). “Emergencies” was identified for 26 procurements (8%) as an NWPTA exception.

We grouped all other exceptions provided in one category called “Other” which included: need for confidentiality, no bids received from a tender call, promotional purposes, public or non-profit organizations, health and social service, intended for resale to public and alternative energy. “Other” was identified for 21 procurements (7%). Finally, we observed for 34 procurements (11%) that no NWPTA exception was provided by the Department.

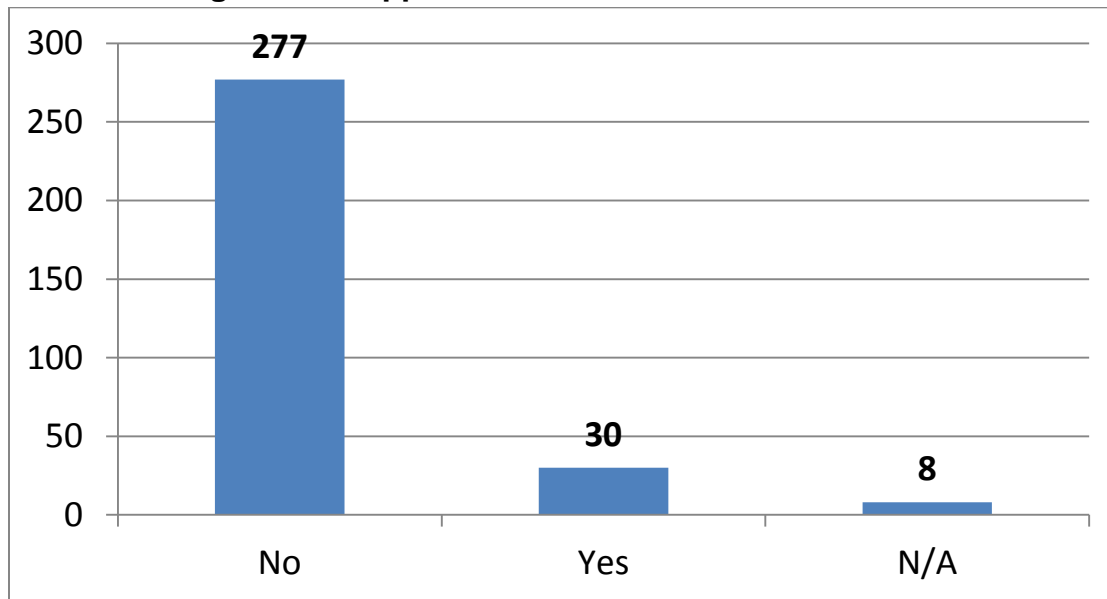
We reviewed all the procurement files for supporting documentation to the NWPTA exception provided. We found that 91 files (29%) do not include sufficient documentation to ensure that the NWPTA exception is supported. Although this is not a requirement under the current Administrative Directive A1439C, we believe supporting documentation within the procurement files would provide better assurance of value for money and trade agreement compliance.

#### **4.1.2. Justifications for Sole and Single Source**

In addition to identifying a NWPTA exception or exclusion, Departments are also expected to provide justification and supporting documentation why a sole or single source method was used for procurements between \$10,000 and \$500,000. Under the current process, this documentation to support single and sole source procurements is retained by the Department and not by Corporate Procurement and Supply Services.

As shown in Figure 4 on the following page, out of a sample of 315 procurement files tested, we observed that 277 (88%) did not include additional documentation in the procurement file to directly support the justification indicated. The 30 procurements that did contain additional supporting documentation were for technical services and software licensing. These procurement files included documentation such as letters from suppliers, licensing agreements and business cases.

Figure 4 – Support within CPSS Procurement Files



In the survey sent out by OCA to City business areas, 74% of respondents indicated that they retain information supporting the justification for sole and single source procurements. This would indicate that there is an opportunity to improve oversight to the sole and single source process. Departments could provide CPSS with supporting documentation to assist them in ensuring procurements are justified and compliant with trade agreements.

#### Recommendation 1 – Support of NWPTA exception & Sole/Single Source

The OCA recommends that procurement files contain sufficient and appropriate documentation to support NWPTA exceptions and justifications for sole and single source procurement.

#### Management Response

##### Accepted

**Action plan:** Administrative Directive A1439C - Procurement of Goods, Services and Construction will be updated to clarify roles, responsibilities and expectations of CPSS and Departments throughout the non-competitive procurement process. This will include documentation requirements to support both trade agreement exceptions and the justification for all sole/single source decisions.

As part of the Corporate Procure to Pay Transformation Project, the development of new Administrative Directives and related Procedures covering Procurement, Contract Management and Payments is in progress. These new Directives are targeted to be completed by October 31, 2016, followed by CLT review/approval and a corporate launch prior to the end of 2016.

**Planned Implementation Date:** December 31, 2016

**Responsible Party:** Branch Manager, Corporate Procurement and Supply Services

**4.2. Review of Sole and Single Source Procurement Files**

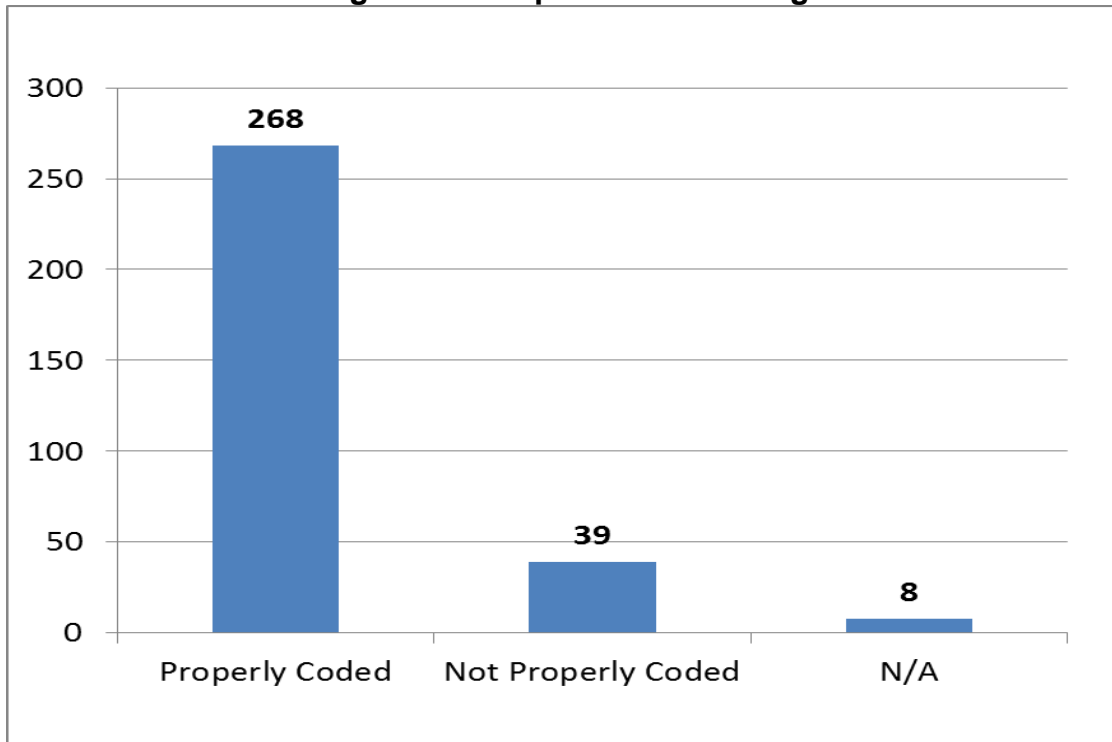
Overall, we found inconsistencies in proper award coding, approval for sole and single source and completeness of procurement files, which indicate a need for additional staff training.

**4.2.1. Proper Award Coding**

Each procurement that the City makes is assigned an award code by CPSS which is used to report on the City’s procurement activities. Procurements must be coded properly in order for reporting to be accurate. CPSS reports semi-annually to Executive Committee the number, value, and contract details of tender calls and sole/single source contracts that exceed \$100,000.

As shown in Figure 5, based on our review of procurement files and application of the definitions provided in the Administrative Directive, we found that 39 procurements (12%) that were not coded correctly or where there was a discrepancy between the Buyer’s Report and what is recorded in the City’s financial system (SAP). For example, we found instances where the procurement was identified in SAP as a single source (award code - SS) but the Buyer’s Report indicated that it was a sole source (award code - J).

**Figure 5 – Proper Award Coding**



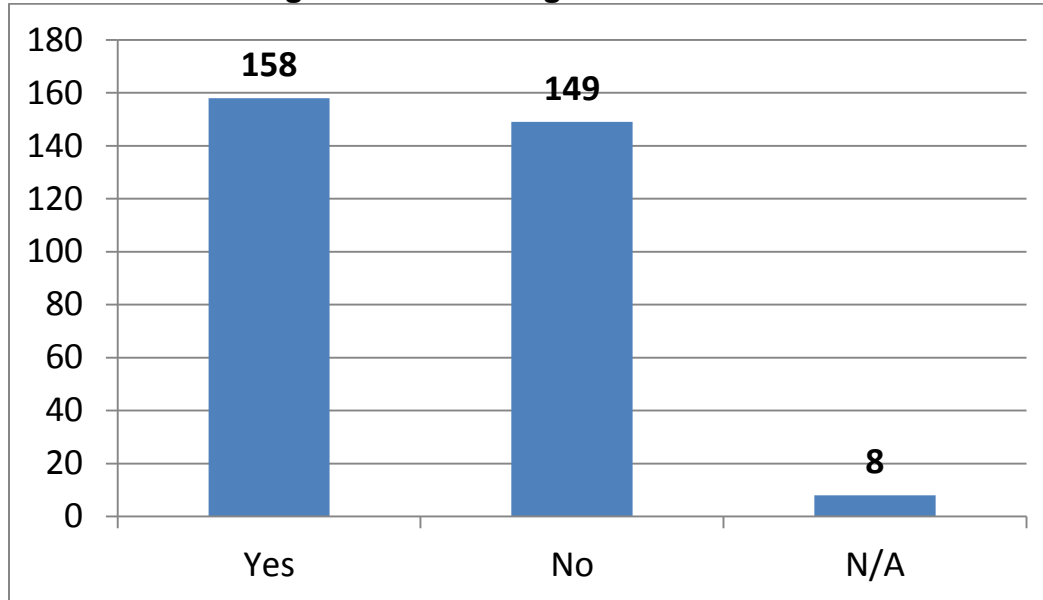
**4.2.2. CPSS Signature on Forms**

As per Administrative Directive A1439C, all non-competitive procurements require the completion of the Competitive Procurement Exception Request form signed by CPSS and the appropriate Delegation of Authority (Departmental approval).



As shown in Figure 6 below, we found that 149 procurements (47%) did not have a CPSS signature on the Competitive Procurement Exception Request or Professional Services Agreement Record. These procurements did however include the appropriate Delegation of Authority (Departmental approval).

**Figure 6 – CPSS Signature on Forms**



CPSS have indicated that their signature on the Competitive Procurement Exception Request or Professional Services Agreement Record is not required given that they also sign the Buyer’s Report and purchase order and also that that many of the procurements were below the trade agreement thresholds. We further analyzed these 149 procurements, which did not have a CPSS signature on the Competitive Procurement Exception Request or Professional Services Agreement Record, and found 135 procurements were below \$75,000 and 14 procurements were above \$75,000.

Procurement files are created by CPSS to retain purchase orders and key procurement documents. Through consultation with CPSS we determined that a procurement file should include a Buyer’s Report, Competitive Procurement Exception Request or Professional Services Agreement and a purchase order. We found that 17 samples (5%) were missing at least one of the documents listed above. There is currently no checklist for the required contents of a procurement file.

**4.2.3. OCA Survey Results**

The OCA conducted a limited survey of Department and CPSS staff. The purpose of the survey was to assess if the sole and single source process is meeting their needs. The survey was sent out to 333 recipients and 144 responded, a 44% response rate. All survey results have been shared with CPSS. Key findings from the survey were:

- 24% of respondents don’t understand the difference between sole and single source

- 17% did not understand the expectations of Administrative Directive A1439C
- 28% indicated the need for more clarity on Departmental roles and responsibilities
- 36% indicated the need for more clarity of roles and responsibilities of CPSS
- 13% of respondents did not understand what needed to be submitted to CPSS and 58% somewhat understood

Additionally, our analysis of the survey comments and recommendations indicates 56% of respondents identifying a need for additional training on sole and single source process.

Overall from our testing we observed a lack of consistency in proper award coding, CPSS approvals on Competitive files. Our survey of Departments also suggests a need for additional training. These results indicate that the City is not consistent in applying the Administrative Directive and procedures. Therefore we recommend the following:

### **Recommendation 2 – Training of Departmental and CPSS staff**

The OCA recommends that CPSS develop training for Departmental and CPSS staff to further support the sole and single source procurement process and address consistency issues.

### **Management Response**

#### **Accepted**

**Action Plan 1:** Corporate Procurement and Supply Services is in the process of developing guidance to reflect the CPSS approval process that took effect with the new City Administration Bylaw 16620 and associated delegations of authority for sole and single source procurements (which now require CPSS concurrence on all non-competitive procurements greater than \$25,000). This guidance will also reinforce proper award codes, CPSS signatures on Competitive Procurement Exception Reports and file documentation standards for sole and single source procurements.

**Planned Implementation Date:** September 15, 2016

**Responsible Party:** Branch Manager, Corporate Procurement and Supply Services

**Action Plan 2:** As part of the Corporate Procure to Pay Transformation program, a comprehensive corporate procurement training program will be developed as an offering through the City's School of Business. This training will include content related specifically to Department and CPSS roles, responsibilities and expectations regarding sole and single source procurement processes.

#### **Planned Implementation Date:**

March 31, 2017 training program developed

May 31, 2017, initial training delivery complete

**Responsible Party:** Branch Manager, Corporate Procurement and Supply Services

### **4.3. Assessment of Administrative Directive**

Administrative Directive A1439C is not clear on the process and roles for sole and single source procurements.

#### **4.3.1. CPSS Authority**

CPSS is responsible to establish procedures and guidelines and to provide advice and support City Departments through the procurement process. As stated in section 2.1.1 of this report, Administrative Directive A1439C indicates that the City of Edmonton procurements will be guided by principle of best value and ensuring sole and single source procurements are appropriately justified. At the time of this audit the ultimate decision and accountability between a competitive or non-competitive procurement rested with the Department.

CPSS documents any reservations they have to sole or single source procurement requested by a Department on the Competitive Procurement Exception Request and Professional Services Agreement Record. The reservations can relate to the trade agreement exception or whether or not the procurement should be competitively procured. We identified 23 procurements (7%) in which CPSS had reservations regarding the decision to sole or single source. Each of these procurements still resulted in a single or sole source procurement because, at time of audit testing, CPSS did not have the authority to overrule a Department decision.

As of June 28, 2016, with revisions to the City Administration Bylaw, the Delegation of Authority was changed. Effective immediately, Corporate Procurement and Supply Services approval will now be required for all sole and single source procurements greater than \$25,000. The Office of the City Auditor believes this change was necessary for greater oversight of the sole and single source process.

#### **4.3.2. Directive Clarity**

The intent of the Directive is to use a competitive procurement process wherever possible. However, the Directive is not clear on how Departments should source procurements between \$10,000 and \$75,000.

The Directive clearly indicates that the City must use an open competitive process for goods and services greater than \$75,000 unless a legitimate exception exists. However, the Directive indicates that employees should consult with CPSS for procurements between \$10,000 and \$75,000 and that the need for open competitive procurements in this range is considered discretionary. Therefore it appears that Departments must tender for procurements greater than \$75,000 and are not required for procurements between \$10,000 and \$75,000. This is inconsistent with the principle of the Directive which indicates that competitive bidding should be used wherever possible.

#### **4.3.3. CPSS Consultation**

Administrative Directive A1439C indicates that employees should consult with CPSS in advance for all procurements between \$10,000 and \$75,000 to determine the appropriate procurement process. We did not consistently find documented support in

procurement files to show there was consultation. Additionally, we also found instances where Departments had already entered into contracts and later contacted CPSS to request the creation of a purchase order to enable payment. Therefore, it does not appear that advance consultation is always taking place. Ensuring that there is advanced consultation between CPSS and the Departments for sole and single source procurements would help ensure best value for money spent.

Our analysis and audit testing indicates that the Directive lacks clarity and the City may not be competitively bidding wherever possible. We observed that CPSS objection to Department procurement decisions still results in sole and single source procurements. We also observed that consultation does not appear to always occur between the Department and CPSS, which is inconsistent with the Directive. We have therefore recommended the following:

### Recommendation 3 – Revise Administrative Directive

The OCA recommends that the Directive be revised to improve clarity on roles and responsibilities for sole and single source procurements.

### Management Response

#### Accepted

#### Action Plan 1:

As part of the new Delegations of Authority which took effect with City Council's June 28, 2016 approval of City Administration Bylaw 16620, CPSS concurrence is now required for all sole and single source procurements greater than \$25,000. This includes reviewing the trade agreement exception as well as concurring that the sole/single source is justified.

**Planned Implementation Date:** July 1, 2016 (Completed)

**Responsible Party:** Branch Manager, Corporate Procurement and Supply Services

**Action Plan 2:** Administrative Directive A1439C - Procurement of Goods, Services and Construction will be updated to clarify roles, responsibilities and expectations of CPSS and Departments throughout the non-competitive procurement process. This will include improved clarity related to procurements that are below the trade agreement thresholds of \$75,000 for goods and services and \$200,000 for construction.

As part of the Corporate Procure to Pay Transformation Project, the development of new Administrative Directives and related Procedures covering Procurement, Contract Management and Payments is in progress. These new Directives are targeted to be completed by October 31, 2016, followed by CLT review/approval and a corporate launch prior to the end of 2016.

**Planned Implementation Date:** December 31, 2016

**Responsible Party:** Branch Manager, Corporate Procurement and Supply Service

#### 4.4. Repeat Suppliers

The City uses a significant number of repeat suppliers for sole and single source procurements, as shown in Table 2, which may not provide best value for money.

**Table 2 – Repeat Supplier Use (2013-2015)**

Number of Times Supplier Used	Supplier Count	Dollars (millions)
1	759	\$59
2 – 9	479	\$161
10+	36	\$47

The City has used numerous repeat suppliers between 2013 and 2015. There were 479 suppliers that were used between 2 and 9 times in this three year period for a total spend of \$161 million. Thirty six suppliers were used more than ten times for a total spend of \$47 million. In total, there were 515 repeat suppliers that were used more than twice for a total spend of \$208M. This represents 78% out of the total \$267M spend for sole and single source procurements.

The City, led by CPSS, has established long term tendered agreements for several commodities such as furniture and light duty vehicles. These strategically sourced procurements were focused on past competitive procurements. We believe sole and single source procurements with repeat suppliers are significant and present an opportunity for further strategic sourcing or competitive procurement.

The use of repeat vendors signals a potential risk of favoritism however this was not tested as part of this audit. The use of repeat vendors does suggest that the City is not competitively tendering wherever possible and may also not be providing best value for money. We therefore recommend the following:

#### Recommendation 4 – Strategic Sourcing Opportunity

The OCA recommends that CPSS monitor and report on the use of repeat suppliers for sole and single source procurements to identify strategic sourcing opportunities.

#### Management Response

##### Accepted

**Action plan:** As part of the Procure to Pay Transformation project, detailed analysis on 2013-15 sole and single source spend was presented to Corporate Leadership Team in March 2016, including identification of repeat suppliers. A strategic sourcing project has since been initiated to pursue opportunities for establishment of corporate agreements for common management consulting services.

CPSS will conduct annual reporting of all sole and single source procurements and using analytics will assess repeat suppliers to identify potential opportunities to establish corporate agreements or to pursue strategic sourcing initiatives to increase

procurement transparency and efficiency and improve the value received through corporate agreements.

**Planned Implementation Date:** February 2017

**Responsible Party:** Branch Manager, Corporate Procurement and Supply Services

## 5. Conclusion

The objective of this audit was to determine whether the City is complying with Administrative Directive A1439C, *Procurement of Goods, Services and Construction*, which provides guidance for the use of sole and single source procurement. We found that the City is complying with the Directive but have identified several opportunities to further improve the process and ensure the City achieves best value for money in its procurement processes.

We tested a statistically representative sample of sole and single source procurements. We observed that CPSS procurement files do not include sufficient documentation to ensure that the NWPTA exceptions and justifications are supported. Our survey indicated that there is an opportunity for Departments to provide CPSS with supporting documentation to assist them in ensuring procurements are justified and compliant. We have recommended that CPSS improve supporting documentation for sole and single source procurements.

We observed a lack of consistency in proper award coding, CPSS signatures on Competitive Procurement Exception Request forms, and completeness of procurement files. OCA survey information indicated that Departments do not have a strong understanding of the sole and single source process. We have recommended that CPSS increase training efforts.

The Directive lacks clarity on the process and roles for sole and single source procurements. Departments previously had authority over CPSS in the decision to sole or single source. Effective immediately, CPSS approval will now be required for all sole and single source procurements greater than \$25,000. We have recommended that the Directive be revised to improve clarity on roles and responsibilities.

We observed the use of numerous repeat suppliers in our analysis. An opportunity exists for strategic sourcing or competitive procurement with repeat suppliers. This would provide best value for money spent. We have recommended that CPSS monitor and report on the use of repeat suppliers for sole and single source procurements to identify strategic sourcing opportunities.

The OCA thanks CPSS for their cooperation throughout this audit.