### CITY OF HAMILTON

#### CITY MANAGER’S OFFICE
Audit Services Division

| TO: | Chair and Members  
Audit, Finance and Administration Committee | WARD(S) AFFECTED: CITY WIDE |
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<td>COMMITTEE DATE:</td>
<td>April 6, 2011</td>
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<tr>
<td>SUBJECT/REPORT NO:</td>
<td>Follow Up of Audit Report 2009-07 - Rostered and Multi Vendor Contracts (AUD11020) (City Wide)</td>
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| SUBMITTED BY: | Ann Pekaruk  
Director, Audit Services  
City Manager’s Office |
| PREPARED BY: | Ann Pekaruk 905-546-2424 x4469 |
| SIGNATURE: | |

### RECOMMENDATION

That Report AUD11020 respecting the follow up of Audit Report 2009-07, Rostered and Multi Vendor Contracts, be received.

### EXECUTIVE SUMMARY

Audit Report 2009-07, Rostered and Multi Vendor Contracts, was originally issued October, 2009 and management action plans with implementation timelines were outlined in the Report. In February, 2011, Internal Audit completed a follow up exercise to determine that appropriate and timely actions had been taken. Of the twenty-five (25) recommendations made in the original Report, eight (8) have been completed, six (6) are in progress, two (2) have been initiated, an alternative has been implemented for one (1), five (5) are no longer applicable, two (2) are indeterminate and one (1) is incomplete.

**Alternatives for Consideration – Not Applicable**
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

Financial: None.

Staffing: None.

Legal: None.

**HISTORICAL BACKGROUND** (Chronology of events)

Audit Report 2009-07, Rostered and Multi Vendor Contracts, was originally issued in October, 2009. The Report provided twenty-two (22) recommendations identifying areas for improvement with respect to the administration of rostered and multi vendor contracts including compliance with contract terms and the distribution of work among the various roster candidates or vendors.

Policy #9 of the City’s purchasing policies permits the establishment of a roster for professional and consultant services every two years. Jobs of less than $100,000 are then assigned to the roster candidates as they become available, ensuring, as much as possible, that the dollar values are evenly divided amongst the vendors.

In addition to Policy #9 above, Policy #11 permits the set up of single/sole source contracts with a vendor or vendors. The City has several contracts with multiple pre-approved vendors to supply one product/service. The vendors are placed in a pool and are assigned jobs within a particular contract as the work becomes available. Multi vendor contracts are generally established because the scope of the work is large and geographically dispersed and no single vendor could adequately supply the services. In other cases, multiple vendors are selected as a form of backup in case a vendor cannot carry out the work.

It is normal practice for Internal Audit to conduct follow up reviews within a 12-18 month period following issuance of the original report in order to determine whether action plans committed to by department management have been implemented.

**POLICY IMPLICATIONS**

Purchasing Policies #9 and #11.
RELEVANT CONSULTATION

The results of the follow up were provided to the management and staff responsible for the administration of rostered and multi vendor contracts: Procurement, Information Services and Print & Mail – Corporate Services Department and the staff responsible for the contracts/rostering noted in the report – Public Works and Planning and Economic Development Departments.

ANALYSIS / RATIONALE FOR RECOMMENDATION

The report attached as Appendix “A” to Report AUD11020 contains the first three columns as originally reported in Report 2009-07 along with an added fourth column indicating Internal Audit’s comments as a result of the follow up work.

Eight (8) of the twenty-two (22) recommendations have been fully implemented. These are: full integration of Information Services (IS) Roster Captains with Public Works Roster Captains and accountability to the Roster Committee; reduction of the IS roster to four (4) categories that meet the needs of the IS division; IS submitting quarterly expenditure reports to Procurement; printing jobs awarded to the lowest bidder that is able to complete the job; a formal process advocated and followed for all printing requests; and a new multiple-vendor contract for small electrical repairs clearly stipulating how work will be assigned.

For the one (1) recommendation where an alternative was implemented, a new contract changed the allocation of work between two contractors.

The five (5) recommendations rated as in progress include: a few Roster Captains still do not regularly submit quarterly expenditure reports to Procurement, as required; Roster Captains regularly review work assignments for equitable distribution but some assignments still appear disproportionately allocated primarily due to the small number awarded; further improvements are required in the retention of bid information for print work; and the new small electrical repairs contract sets out specific information required for invoices.

The implementation of two (2) recommendations has been initiated but with minimal progress. Both deal with the non submission of an annual report to Council detailing all consultants by rostered category hired during the year, their assignments, along with a total cost per category as required under Policy #9 of the City’s purchasing policies.
One (1) recommendation remains incomplete as a contractor’s invoices continue to be paid without all the required documentation as per the contract terms.

The two (2) recommendations whose status is rated indeterminate concern issuing an RFP for a multi-phase contract in place of roster and follow on assignments and reporting incidents of poor or non performance by vendors. The status could not be determined due to no such incidents in the follow up sample upon which the rating was based.

The three (3) recommendations no longer applicable include: communicating deviations of the vacuum sucker trucks and power wash services contract to the Procurement Manager (new contract with no deviations expected); rotating work assignments on the new small electrical repairs contract based on specific departments (no longer rotational); and eliminating a poor performance vendor with a new contract for electrical repairs.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

None.

**CORPORATE STRATEGIC PLAN** (Linkage to Desired End Results)


**Financial Sustainability**

• Delivery of municipal services and management of capital assets/liabilities in a sustainable, innovative and cost effective manner.

**Growing Our Economy**

• Competitive business environment.

**APPENDICES / SCHEDULES**

Appendix “A” to Report AUD11020.

ap:dt
## Observation of Existing System

### Professional and Consultant Services for Public Works

Policy #9 of the City’s purchasing policies requires the General Manager of Public Works to submit an annual information report to Council outlining all assignments awarded under the rostering system including a breakdown of the total cost utilized by each category and the names of the consultants used. A review of reports submitted to Council indicated that while the annual information reports are quite comprehensive and detailed, providing informative detail about expenditures and the number of assignments in each category, they do not provide a listing of consultants used during the year as required by the policy.

### Recommendation for Strengthening System

That a listing of consultants by category used during the year be included in the annual information report that is submitted to Council as stipulated in purchasing policy #9.

### Management Action Plan

Agreed. This item was reviewed at the June 24, 2009 Roster meeting and will be implemented with the next annual report to Council.

### Follow Up (February 2011)

Initiated. The Roster Committee Co-ordinator is aware of the requirement to include a listing of the consultants used in the information report that is to be submitted to Council each year. As of the end of 2010, 37 out of 43 (86%) of the Roster Captains have provided Procurement with a list of the consultants used, along with the amount spent, by their roster category for the year. The listing of consultants will be included in the report that the Co-ordinator is preparing for Council. The report is expected in quarter two (Q2) of 2011. Such a report was not issued to Council in 2010.
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<td>In addition, every quarter, Roster Captains are required to submit a report of expenditures in each category to the Purchasing section for review and monitoring. Such reports are not always submitted.</td>
<td>That the Roster Committee enforces the requirement for Roster Captains to report expenditures within each category to the Purchasing section on a quarterly basis.</td>
<td>Agreed. Purchasing will send Outlook reminders to all Roster Captains two (2) weeks in advance of the end of each quarter. The appropriate buyer will post submissions in a designated folder on the “S” drive. Reminders and reviews will be noted at the appropriate Roster Committee meetings.</td>
<td>In Progress. Procurement issues quarterly reminders to the Roster Captains requesting that they submit expenditure reports. In turn, the Roster Captains store copies of the completed expenditure reports on the corporate drive (S:\drive). While the majority of Roster Captains are reporting expenditures as required, five (5) are consistently delinquent in submitting these reports at the end of each quarter.</td>
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<td>2.</td>
<td>The Roster Committee’s procedures and guidelines permit the use of the same vendor on a follow-on assignment provided that the combined cost does not exceed $100,000. It was noted that where a roster candidate has been involved in a project’s preliminary study or design and already possesses extensive knowledge on the project, he is usually retained for later phases as he is likely to complete construction faster and cheaper than other candidates.</td>
<td>That Roster Captains closely monitor the distribution of work assignments (and in particular, follow-on assignments) to ensure that the core principles of rostering are being upheld.</td>
<td>Agreed. Roster Captains will continue to monitor the principles and procedures of the roster system.</td>
<td>In Progress. Roster Captains maintain reports that track the expenditures on consultants that have qualified as roster candidates. The same expenditure reports that are submitted to Procurement as indicated in point 1 above permit the Captains to monitor the assignments so as to determine the existence of follow-on assignments and the total dollars spent. However, some work assignments continue to be distributed in a disproportionate manner primarily due to the small number that is awarded.</td>
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### ROSTERED AND MULTI VENDOR CONTRACTS
#### FOLLOW UP – FEBRUARY 2011

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<td>A review of a sample of follow on assignments for the 2007-2008 cycle indicated the following:</td>
<td>That, in planning a multi-phase contract, consideration be given to issuing a RFP with the awarding of the entire contract to a successful proponent in place of using the roster and additional follow on assignments.</td>
<td>Agreed. Roster Captains will continue to give consideration to issuing an RFP for large definable multi-phase projects in lieu of multiple follow on Roster assignments.</td>
<td>Indeterminate. There were no incidents in the audit sample that would require a RFP for a multi-phase contract.</td>
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<td>a) The combined cost of assignments awarded to one candidate as the result of follow-on exceeded the $100,000 ceiling by $6,700. (For 2007 alone, a total of 289 assignments with a combined cost of over $10 million were undertaken.)</td>
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<td>b) One roster category ended up being administered as a de-facto single source contract, with one vendor receiving 12 of the category’s 17 assignments, translating into 76% ($592,000) of the contract’s value.</td>
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<td>While the Roster Committee is generally diligent in monitoring expenditures and ensuring that roster principles are upheld, closer attention to follow on assignments could help in ensuring adherence to the core principles of rostering.</td>
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3. **Professional and Consultant Services for Information Services**

Policy #9 of the City’s purchasing policies authorizes the establishment of only one roster for professional and consultant services. The Public Works roster, being the first such roster to have been established and having comprehensive procedures and guidelines, is considered the principal roster under this policy and a guide for best practices. As such, while Council approval was obtained in 2006 to set up an IS roster, the roster being managed parallel to the Public Works roster has no basis under existing purchasing policies.

That, while the IS roster continues to be in use, the Director of Information Services adopt and enforce the comprehensive procedures and guidelines set up by the Public Works Roster Committee.

That, upon the expiration of the roster’s two year term in 2010, the separate IS roster for professional and consultant services be discontinued and the IS roster categories be incorporated into the Public Works roster for professional and consulting services.

Agreed. The Roster Captains will attend the Roster meetings on a go forward basis. The only exception to the current procedures lies with insurance follow up which is performed by Purchasing under the IS Roster and by the Roster Captains under the Public Works (PW) Roster. This practice will continue for the duration of the IS Roster, at which time, the PW Roster process will be fully adopted.

Agreed. The amalgamation has already commenced with joint Roster Committee meetings.

Completed. The IS Roster Captains are now fully integrated with the Public Works Roster Captains and are accountable to the Roster Committee. All four Roster Captains attended the October 6, 2010 meeting.


In Progress. Procurement is updating the Procurement Policies including Policy #9. The changes have been made in draft form. All of the changes are expected to be finalized by the second quarter of this year.
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<td>4.</td>
<td>Policy #9 of the City’s purchasing policies stipulates that work is to be assigned on a rotational basis in order to equitably distribute work amongst roster candidates. From a review of expenditures for 2007 and 2008, there is no indication that work is awarded on a rotational basis or that there is an attempt to distribute work equitably amongst the candidates. Several instances were noted in which one vendor received several assignments (as much as six in one case) while other vendors within the same category had none. It was further noted that such cases are in respect of assignments in which the vendor had been previously involved in earlier phases of the project. Staff stated that continuing with the same vendor ensures efficiency and cost effectiveness. However, the lack of equity may be perceived as favouritism if the equitable distribution terms of the contract are not adhered to.</td>
<td>That management, in conjunction with Roster Captains, regularly reviews expenditures in each category to ensure that work is assigned on a rotational basis that ensures an equitable distribution of the revenues.</td>
<td>Agreed. Instances of a specific vendor being utilized more frequently were a result of vendors not having the resources with the required skill set or not having resources available for the time frame required by the City. Information Services is in the process of working with Purchasing to improve the terms and conditions to allow more qualified vendors. A meeting was held with all of the Category Captains immediately after the IS Roster was approved to review the business process and highlight the key points – fair and equitable use of all vendors and maintaining all documentation with regard to assignments (including any exceptions).</td>
<td>In Progress. A review of expenditures covering the 2009-2010 period indicates that, while inequities were still noted for some IS roster categories due to the small number of assignments awarded, an attempt had been made to be more equitable. All Roster Captains review the roster category expenditures for which they are responsible when they update the quarterly reports submitted to Procurement.</td>
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## ROSTERED AND MULTI VENDOR CONTRACTS
### FOLLOW UP – FEBRUARY 2011

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<td>In addition, during this two year period, activity within the seven roster categories appears to have been limited to only 13 orders issued in total. One category had only one order placed while three categories had no activity at all. This could indicate that the process used by staff to set up roster categories may not be adequately comprehensive, resulting in the establishment of redundant or unnecessary roster categories.</td>
<td>That Roster Captains review the process used to establish roster categories to ensure that the established categories reflect the anticipated needs of the IS division.</td>
<td>Agreed. With the new IS Roster recently established, some categories on the prior roster were amalgamated, some were dropped because of lack of use and others were created based on anticipated requirements. Some anticipated work for the selected categories did not materialize on the prior Roster (which was the subject of the audit) and this may also be the case for the current Roster. This will be taken into consideration as the categories are developed for the next Roster in 2010.</td>
<td>Completed. As indicated above, the new 2011-2012 roster has reduced the number of IS categories to four. This reduced IS roster is expected to meet the needs of the IS division.</td>
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<td>That Roster Captains and staff from the Purchasing section review expenditures within each category on an on-going basis to evaluate the continued necessity of each category.</td>
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<td>Agreed. The IS Roster Captain reviews each request for Roster resources before forwarding the request for purchase order generation and submits a quarterly status spreadsheet to Purchasing and the Director of Information Services (also see Management Action Plan above).</td>
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<td>Completed. The number of IS categories have been reduced. The IS Roster Captains are submitting their quarterly roster expenditure reports to Procurement, as required.</td>
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<p>| 5. | A key component in a well administered rostering process is the transparency with which jobs are assigned to the qualified candidates. Transparency could be enhanced through a system that periodically provides a detailed account of roster activities. To that end, Policy #9 requires that an Information Report be submitted to Council annually on all assignments awarded including consultants used and a breakdown of the total cost utilized by each category. Expenditures in the IS roster are not included in the annual information report that is submitted to Council by the General Manager of Public Works. As such, the transparency in the management of the IS roster is limited. | That activities of the IS roster be reported to Council on an annual basis outlining assignments awarded and consultants used as required by Policy #9 of the City's purchasing policies.                                                                                                                                                                                                 | Agreed. The IS Roster Tracking spreadsheet will be forwarded to the PW Roster Co-ordinator from which information will be utilized and reported on the next annual report.                                                                                                                                                                                                 | Initiated. The Public Works (PW) Roster Co-ordinator is aware of the requirement to provide a detailed account of roster activities to Council each year. Such a report is being prepared and is expected to be submitted to Council in quarter two (Q2) of 2011. The roster activities of the IS division are stored with the activities of the other divisions on the corporate drive and will be used by the PW Roster Co-ordinator for inclusion in this report. |</p>
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<td>6.</td>
<td>External Printing Services</td>
<td>That all cases of poor or non performance be documented and reported to the Purchasing Manager in a Vendor Performance Incident Reporting form as required by Policy #8 of the City’s purchasing policies. Such instances need to be taken into consideration at the time of contract renewal.</td>
<td>Agreed. Immediate action has been taken. The Print and Mail section already has administrative procedures relating to the tracking of outside vendor print jobs and outlining the print brokering procedures to be followed. These procedures specify the Supervisor's responsibility for tracking vendor performance. The Supervisor is aware of these procedures and has been advised to follow them.</td>
<td>Indeterminate. There have been no reported incidents of poor or non performance since the original audit. Therefore, the Vendor Performance Incident Reporting form has not been used.</td>
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<td>7.</td>
<td>Internal Audit selected a sample of invoices from the four printing vendors to evaluate the level of transparency with which the printing contract is being administered. Printing jobs are supposed to be awarded to the four vendors primarily on the basis of the lowest quotation. Internal Audit could not review quotations submitted by vendors as they are not retained by staff for filing. They are destroyed immediately following the selection of the successful bidder. Staff indicated that emails that are sent to each of the bidding vendors advising them of the price that won the bid are also immediately destroyed. As such, the administration of the bidding process lacks transparency as there is not an adequate audit trail. Therefore, Internal Audit could not establish whether jobs had been awarded to the lowest bidder as required by the contract.</td>
<td>That a process that will ensure transparency in the handling of bids for the print contract be developed. The procedures should include the process for receiving, evaluating and retaining quotations and other documentation from vendors to support the awarding of a print job.</td>
<td>Agreed. Although there is already a written process for receiving and evaluating quotations, a section will be added to the print brokering procedures specifying retention periods for all quotations and related emails. This will be done in consultation with the Records Management Supervisor. Expected completion date – August, 2009.</td>
<td>In Progress. Although there has been improvement in the retention of bid information, there are still some details missing which would improve the transparency of the administration of the bidding process. These include: confirmation from all bidders that a quotation request was received; written confirmation from a vendor that no bid will be made on a particular job; and no pre-determination by the Supervisor that a particular vendor cannot handle the job (i.e. all vendors are sent a quotation request for all jobs).</td>
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### OBSERVATION OF EXISTING SYSTEM

While the printing contract requires jobs to be awarded to the lowest bidder, circumstances often arise when the lowest bidder cannot deliver within the deadline set by the user department. When time is of the essence, the Print Room is required to award the job to the next lowest bidder who is able to meet the deadline. As the Print Room does not retain bids showing proposed prices and delivery dates submitted by the four contracted vendors, Internal Audit could not determine whether the Print Room complies with this requirement. Staff indicated that when time is of the essence, the Print Room does not necessarily use price as the criteria. The print job is assigned to the vendor who has been able to deliver within the deadline in the past, regardless of price. This method may lead to the perception of preferential treatment and a lack of transparency in the brokering process.

### RECOMMENDATION FOR STRENGTHENING SYSTEM

That, when the lowest bidder is unable to meet the deadline, the printing job be awarded to the next lowest bidder who is able to deliver within the deadline as indicated in the quotation.

### MANAGEMENT ACTION PLAN

Agreed. The job is usually awarded to the next lowest bidder if the lowest cannot meet the deadline. There are exceptions when accuracy and immediate turnaround time are required. The Section is working with the current vendors to achieve the goal that at least three (3) of them can meet these more specific print needs. Effective July, 2009, internal procedures have been amended to clarify that the lowest quote means: the lowest price that meets any set timelines for completion and return to the client, any specific standards for accuracy and other details that are listed as essential to the client.

Purchasing – If this is an inherent problem for this type of service, language to this effect will be drafted and included in the next contract so it is clear what the consequences of missed deadlines are.

### FOLLOW UP (FEBRUARY 2011)

Completed. In several samples reviewed by Internal Audit, it was demonstrated that, when the lowest bidder is unable to meet the turnaround time set by the user department, the print job is awarded to the next lowest bidder.

Not Applicable. There is no inherent problem with this service requiring changes to the language in the contract.
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<td>9.</td>
<td>Staff indicated that part of the reason why one vendor receives as much as 64% of the printing assignments is because some departments give specific directions to have their jobs handled by that vendor. As a result, the other three vendors do not get an opportunity to submit quotations for such jobs. Such requests are said to be verbal and therefore cannot be verified.</td>
<td>That all staff be discouraged from special printing requests and be informed of the formal process that is to be followed in awarding print jobs. Any special requests that continue to be made should be fully documented on the Print Request Forms, approved by management and submitted to the Print Room.</td>
<td>Agreed. The Section’s procedures require clients requesting a certain vendor to fill out a form acknowledging that they are aware that the action is a violation of policy. Effective July, 2009, these individuals will now also be advised that they must fill out a Policy #11 form and seek approval from Purchasing prior to submitting an order.</td>
<td>Completed. The section is no longer taking specific directions from departments wanting their print jobs handled by specific vendors. The Procurement Specialist stated that, in 2009 and 2010, Policy #11 forms requesting the sole sourcing of print jobs have not been submitted to Procurement.</td>
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In addition, staff stated that some departments by-pass the Print Room and place orders directly with the vendor. User departments claim that the specific vendor meets deadlines and provides superior quality.

A major objective of print brokering is to ensure that the City receives the lowest price. When user departments place orders directly with a vendor, the opportunity to obtain the best price for the City may be missed. Without a transparent system, the credibility of the brokering process is undermined and the likelihood of vendor complaints regarding preferential treatment is increased.

Agreed. See above.

Completed. A review of printing expenses across various City departments indicates that, except for specific contracts that have been entered by the departments with different vendors, the vast majority of the printing is performed by the three main print vendors utilized by the Print Room.
## Provision of Vacuum Sucker Trucks and Power Wash Services

The contract stipulates that work is to be assigned to the two contractors on a rotational basis in order to equalize revenues earned. A review of work assigned to the contractors between 2006 and 2008 indicates that work is not assigned on a rotational basis. Each contractor has been assigned specific sites with one contractor providing services at the Woodward plant while the other contractor services the Dundas and Waterdown plants as well as outside tanks and stations. Staff indicated that such an arrangement results in increased efficiency as contractors become familiar with their assigned sites and are able to attend to service needs in a timely manner.

The current method of assigning work does not ensure an equitable distribution of revenues as required in the contract. An analysis of fees paid to the two contractors between 2006 and 2008 indicates that one contractor received 70% ($283,000) of the fees while the other received 30% ($122,000). Staff indicated that the contractor who received 30% of the fees could be having capacity limitations as they often decline service requests due to work commitments elsewhere.

### Recommendation for Strengthening System

That staff responsible for managing this contract adhere to the terms and conditions set out in the contract.

### Management Action Plan

Agreed. It is acknowledged that the distribution of work was not equitable to the two (2) vendors involved. However, there were several occasions where the second vendor, when requested to do the work, was unable to respond. A written procedure will be created for the assignment of this work but situations where vendors have differing abilities to satisfy the City’s needs will still most likely continue.

### Follow Up (February 2011)

Alternative Implemented. The new contract for the provision of Vacuum Sucker Trucks and Power Wash Service (C11-11-10) became effective in early 2010. All of the work is now assigned to the prime vendor unless he cannot respond within a two hour time frame. In 2010, the prime vendor received all of the work.
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<td>The above deviations from the terms of the contract have not been communicated to the Manager of Purchasing.</td>
<td>That any proposed deviations from the terms of the contract be communicated to and approved by the Manager of Purchasing before implementation.</td>
<td>Agreed. More regular communications will be made with the Manager of Purchasing for guidance with respect to any deviations. In addition, a meeting will be held with Purchasing to see if there is merit in procuring these services in a different manner as to avoid this type of work assignment conflict in the future.</td>
<td>Not Applicable. The work is no longer distributed between two contractors. There was a new contract effective in early 2010. All of the work is now assigned to the prime vendor unless he cannot respond within a two hour time frame. In 2010, the prime vendor received all of the work.</td>
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Purchasing – Any agreement to make minor amendments (between the City and the Contractor) will be documented, signed and a copy retained in the Purchasing Contract file. Any other deviations to the contract terms require Purchasing consultation before finalization. | | |

Not applicable. Due to changes in the way the new contract distributes the work (as noted above), no deviations are expected. | | | |
## Small Electrical Repairs

The assignment of work orders to the three contracted vendors is handled by three clerks at the Help Desk. Although the contract does not specify how the work is to be distributed, staff indicated that work orders are assigned on a rotational basis.

There is, however, no documented roster and clerks rely on personal memory to rotate assignments amongst the three vendors. With more than one clerk assigning work, reliance on personal memory to assign jobs may not provide assurance that work is assigned equitably. A review of work orders for the five years to December 2008 indicated that one vendor received only 519 of the 3,700 work orders (14%) while the other two vendors had 45% and 41%. In allocation of revenue, this equates to 12%, 50% and 38% respectively of the approximately $2.6 million spent in the last five years. Internal Audit observed that orders to the vendor have been declining over the years, from a peak of 221 orders in 2005 to no orders at all in 2008.

### Recommendation for Strengthening System

That Requests for Proposals (RFPs) for multiple-vendor contracts clearly stipulate how work is to be assigned amongst the vendors.

That, if work is to be assigned on a rotational basis, staff develop a written roster that ensures transparency in the allocation of work and provide an adequate trail to substantiate job assignments.

### Management Action Plan

No longer applicable. The new contract (RFP C12-19-09) for small electrical repair will not have a multi vendor situation. One contractor will be awarded the electrical service contract.

No longer applicable. See above.

### Follow Up (February 2011)

Completed. Council approved the new tender for small electrical repairs (C12-19-09) on 13-Aug-09. According to the new tender, the two winning contractors are to divide the work on the basis of the City Division requesting such repairs.

Not applicable. Work is no longer assigned on a rotational basis.
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<tr>
<th>#</th>
<th>OBSERVATION OF EXISTING SYSTEM</th>
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<th>MANAGEMENT ACTION PLAN</th>
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<td>12.</td>
<td>Staff indicated that the vendor noted above who received only 14% of work orders has a history of unsatisfactory performance. Over the years, staff at the service help desk have experienced problems with the vendor which include failure to respond to service calls due to extended absences from the business that had not been previously communicated to the City as well as failure to report at job sites. Policy # 8 of the City’s purchasing policies requires staff to complete a Vendor Performance Incident Reporting form as soon as reasonably possible in the event of poor or non performance by a vendor. Since the contract started in 2004, there has not been a Vendor Performance Incident Report against the vendor to support staff’s contention of poor performance. In the absence of documented instances of poor or non performance, it becomes difficult to justify the exclusion of the vendor from active allocation of work in the contract.</td>
<td>That, where staff consider the vendor's performance to be so poor as to warrant the vendor's exclusion from the contract, a Vendor Performance Incident Reporting form be completed and submitted to the Purchasing section to formally register the vendor's poor performance.</td>
<td>Agreed. The new contract will have one service provider to attend to. In the event of sub-standard service, Supervisors and the Facilities Help Desk have been instructed to track each incident and report to management. The information will be used to support the vendor performance form.</td>
<td>Not Applicable. A new small electrical repairs contract has been approved (C12-19-09) and two winning contractors have been performing the work as required and there has not been any reported unsatisfactory performance by either contractor.</td>
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### 13.
The Small Electrical Repairs contract has several specific requirements in regards to invoicing for work completed by contractors. Among the requirements is the need for invoices to include a breakdown of the cost of labour and materials. One of the contractors does not provide detail in their invoices regarding the breakdown of hours worked, labour rates used and the number of personnel used. As such, it is not possible to verify whether the contractor is billing at approved labour rates or that the repairs were a ‘one man operation’ as stipulated in the contract.

**RECOMMENDATION FOR STRENGTHENING SYSTEM**

That all contractors retained under the Small Electrical Repairs contract be reminded of the document submission requirements that need to accompany the invoices.

**MANAGEMENT ACTION PLAN**

Agreed. A new tender (C12-19-09) for the next five (5) years closed on June 17, 2009 and was awarded by Council on August 11, 2009. Prior to issuing the new purchase order, there will be an orientation with the new contractor outlining the City’s invoicing expectations.

**FOLLOW UP (FEBRUARY 2011)**

In Progress. The specific requirements for invoicing have changed with the new contract. Most invoices presented by the main vendor provide a breakdown between the cost of labour and materials. However, the invoices do not provide details of the number of personnel used, the hours worked or the labour rate.
## ROSTERED AND MULTI VENDOR CONTRACTS
### FOLLOW UP – FEBRUARY 2011

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<td></td>
<td>In addition, the contract requires City staff to inspect the contractor’s work to ensure that it was completed to the City’s satisfaction. Supervisors are required to sign work tickets at the completion of each assignment as evidence of such inspection. None of the invoices reviewed had work tickets attached to them to indicate that staff had inspected the work prior to invoicing. However, Supervisors do review and approve invoices prior to their submission for payment. Internal Audit could not verify whether contractors’ mark ups on invoices are within the 10% stipulated in the contract as contractors do not provide details of the original cost and mark up on materials billed. There is a risk that without inspection of work or the provision of sufficient details on invoices, the City could overpay on services rendered or pay for services not rendered.</td>
<td>That, prior to approving invoices for payment, Supervisors review all supporting documentation to ensure that all contract provisions related to invoicing have been complied with.</td>
<td>Agreed. All Supervisors will be instructed to not process invoices if the contractor is non-compliant with invoicing information requirements as per the tender documents.</td>
<td>Incomplete. Contractor’s invoices continue to be approved for payment without all the required documentation.</td>
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