

**For Information Only**  
**Follow-up Audit of Procurement**

Presented To:	Audit Committee
Presented:	Tuesday, Jun 21, 2016
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**Resolution**

Please refer to attached report.

Signed By
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<b>Auditor General</b> Ron Foster Auditor General <i>Digitally Signed Jun 2, 16</i>

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# Follow-up Audit of Competitive Procurement

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May 31, 2016  
FINAL REPORT

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## **SUMMARY**

### **Objectives**

The objective of this follow-up audit of the Competitive Procurement Audit that was completed in June 2014 is to determine if the agreed management action plans have been implemented and to determine if those plans adequately address identified risks.

### **Background**

The June 2014 audit of Competitive Procurement identified significant opportunities to improve the oversight and monitoring of purchasing practices and the use of PeopleSoft system.

The primary objective of this follow up audit is to assess the progress and completion of action plans outlined by Management in response to audit findings. Amongst the other incidental objectives are to determine the operational risks in purchasing and assess performance/value for money from purchasing to the City of Greater Sudbury.

### **Report Highlights**

Management has made significant progress in addressing the findings relating to:

- Blanket order management and renewal,
- Maintenance of a centralized list of contracts with expiration dates,
- Enhanced conflict of interest rules,
- Commitment control functionality

Work that is still in progress includes:

- Spend analysis by implementing expanded item category in PeopleSoft,
- Contract renewal form,
- Introduction of a formal procedure/checklist for contract award notification on CGS website,
- Increased use of PeopleSoft for managing purchase orders,
- Improving data entered in the 'freeform field',
- Implementation of procurement contract functionality and
- Interface of Municipal Maintenance Management and PeopleSoft Purchasing and Accounts Payable.

A detailed update of Management's Action Plans in relation to each of the audit findings is provided at Appendix 1.

## **Audit Standards**

- We conducted our review in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we adequately plan for the audit; properly supervise audit staff; obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions; and prepare audit documentation related to the planning, conducting, and reporting for each audit. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

For further information regarding this report, please contact Ron Foster at extension 4402 or via email at [ron.foster@greatersudbury.ca](mailto:ron.foster@greatersudbury.ca)

Appendix 1 – Detailed Update of Management’s Action Plan

Ref	Audit Finding/Issue	Action Plan Timing	Current status
1	<p>Need to complete establishment of Blanket Purchase Order Agreement records.</p> <p>Monitoring, validation and verification of Blanket/Standing orders for special pricing/discounts and expiry dates.</p> <p>Opportunities to improve Purchase/Tendering practices.</p> <p>Opportunities for improved transparency in reporting contract award and announcements.</p> <p>Opportunities for improved organizational policies relating to conflict of interest.</p>	<p>June 2015</p> <p>June 2014</p> <p>Not specified</p> <p>June 2014</p> <p>Aug/Sep, 2014</p>	<p>Majority of Blanket Orders completed by December, 2015.</p> <p>Spend Analysis improvement expected from implementation of expanded category list.</p> <p>New Purchasing By-Law and procurement templates in 2014.</p> <p>Contract award and Council Report over \$ 50,000 implemented July, 2015.</p> <p>Completed. Incorporated in revised Purchasing By-Law</p>
2	<p>City wide use of PeopleSoft functionality.</p> <p>Reliance on manual systems and processes.</p> <p>Freeform references in description fields.</p> <p>Application of appropriate internal control framework.</p> <p>PARS (Purchasing Activity Report) report lacked complete information.</p> <p>PeopleSoft Commitments Control had not been implemented for all types of contracts.</p>	<p>Work on going</p> <p>Work on going</p> <p>Not specified</p> <p>June 2015</p> <p>Not specified</p> <p>June 2014</p>	<p>Training provided in 2014 - Q3 and Sep. 2015 with reporting tool.</p> <p>Request for Quotation functionality planned based on assessment of available options.</p> <p>Training provided in 2014-Q3.</p> <p>In progress.</p> <p>PSR reporting tool development completed.</p> <p>Various improvements planned subject to resource availability.</p>

Ref	Audit Finding/Issue	Action Plan Timing	Current status
3	<p>Manual monitoring processes</p> <p>Develop action plans to increase the use of PeopleSoft purchasing functionality.</p>	<p>September 2014</p> <p>To be determined based on availability of resources and appropriate expertise.</p>	<p>Completed July 2015.</p> <p>Matrix of selection of suitable functionality assessment on going for implementation.</p>
4	<p>Lack of key metrics impacts operations including performance, productivity and effectiveness of central purchasing support services.</p>	<p>Work on going</p>	<p>Statistics relating to procurement key operational metrics are being tracked.</p>
5	<p>Professional qualifications of purchasing staff may impact achievement of Finance Services objectives.</p> <p>Current staffing approach does not provide for succession planning and staffing key positions in purchasing.</p>	<p>Continued provision of training and development opportunities.</p> <p>Review and assess sufficiency of resources.</p>	<p>Chief Procurement Officer appointed in Aug. 2014. Periodic training provided to all staff.</p> <p>Purchasing section supports CGS succession planning goals.</p>

This follow up audit identified the following additional opportunities for improvement:

<b>Observation</b>	<b>Impact</b>	<b>Potential payback/opportunity</b>
<p>Key Performance Indicators (KPIs) to assess the purchasing department and individual staff have not been developed for objective assessment of the performance of purchasing staff and the department.</p>	<p>Insufficient emphasis may be placed on significant opportunities to improve value for money or address risks that adversely impact achievement of the main objectives of the purchasing function.</p>	<p>Key Performance indicators (KPIs) that support departmental objectives should be developed including:</p> <ul style="list-style-type: none"> <li>-Reduction in annual spend on major contractors/suppliers;</li> <li>-Managed spend vs. Total spend;</li> <li>-Vendor assessment;</li> <li>- Assess the annual cost over time to issue purchase orders, contracts, RFTs, and RFPs; and</li> <li>-Measures for open bidding process.</li> </ul>