



Staff Report for Audit Committee Meeting

Date of Meeting: November 17, 2020

Report Number: SRCFS.20.034

Department: Corporate and Financial Services

Division: Financial Services

Subject: Amendments to Procurement By-law 113-16 and
Financial Control By-law 114-16

Purpose:

The purpose of this report is to provide the results of the Procurement Review and to seek Council's approval to amend Procurement Policy By-law No. 113-16 and Financial Control By-law No. 114-16.

Recommendation(s):

- a) That Staff Report SRCFS.20.034 be received.
- b) That effective January 1, 2021 By-law 141-20 (Appendix A to Staff Report SRCFS.20.034) be enacted to amend Procurement Policy By-law No. 113-16 and Financial Control By-law No. 114-16.

Contact Person:

Corina Scott-Fisher, Acting Manager and Chief Purchasing Officer

David Dexter, Director Financial Services and Treasurer

Anthony Iannucci, Chief Transformation Officer

Report Approval:

Submitted by: Sherry Adams, Commissioner of Corporate and Financial Services

Approved by: Mary-Anne Dempster, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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Background

In December 2016, Council approved Procurement Policy By-law 113-16 and Financial Control By-law 114-16, which came into effect on January 1, 2017. The Procurement Policy By-law sets out the rules for acquiring goods and services for the City, while ensuring a balance between consistent and transparent procurement processes and operational needs, in order to obtain goods and services that represent the best quality and value to the City.

In September 2019, Deloitte LLP was retained to complete a review of the City's non-personnel operating budget with a view to propose potential areas for cost savings. As most non-personnel costs are incurred through purchases made by the City, Deloitte reviewed the City's purchasing processes in order to identify opportunities to improve the overall procurement process. One of the recommendations Deloitte made was for the City to undertake a Procurement Review of the competitive procurement process, using LEAN methodologies, in order to improve efficiency and reduce costs. As a result, a staff team worked on how these recommendations might be implemented. This report proposes amendments to the by-laws in accordance with those recommendations.

The Procurement Review

A project team consisting of staff from Procurement, Risk and Insurance, and Finance worked closely with an external consultant that specializes in LEAN Principles. Staff interviewed regular users from various departments to establish the "Voice of the Customer"; conducted extensive benchmarking with other municipalities in York Region and across Ontario, and consulted with an external lawyer who specializes in procurement law. As a result, a prioritized list of identified improvement opportunities was developed and implementation is currently underway.

The theme for the improvements is to give staff more flexibility in the procurement process, while still maintaining effective controls. Therefore, staff are recommending a number of changes to the City's procurement and financial control framework, which are reflected in the draft by-law amendment, which is included as Appendix A, for Audit Committee recommendation to Council for approval. The following summary of recommendations and proposed changes as a result of the Procurement Review are designed to give departments the tools they need to be more "self-serve" while maintaining effective controls.

Approval Authorities

Based on our review, the revised framework assigns approval authorities that represent a better balance of accountability and oversight with operational efficiency, while alleviating "bottlenecks". At the core of this balance is the principle of Council authority to set budgets and approve funding, with the delegated authorities to staff contingent on the availability of Council approved funding. This is complemented by ongoing expertise and support from the Procurement Section, ensuring the process is open, fair and transparent, and in accordance with Council-approved policy.

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Changes to delegated authorities proposed in this amendment are summarized in Appendix A, Schedules A and B and include:

- Increased authority for self-service by departmental staff conducting Low-Value Acquisitions by increasing the threshold from \$10,000 to \$25,000. This would give departments flexibility to conduct Low Value Acquisitions more efficiently while bringing the City more in line with other municipalities in the Province, and would directly reduce staff effort time.
- Removal of the Initiation Authority approval by Directors due to system-related enhancements with budget controls. Currently, all competitively procured projects must be approved by a Director (or above) when initiated but with recent system-related enhancements now implemented, there are additional budget controls in place that render this step redundant. Removing this “rubber stamp” approval would allow projects to go directly to the Procurement Section once initiated, alleviating a potential “bottleneck”.
- Increased Commissioner’s Commitment Authority for single and sole-source acquisitions under \$100,000. Currently, Commissioners have authority to approve single and sole-source acquisitions up to \$50,000 and the City Manager has the authority to approve those between \$50,000 and \$100,000. Based on operational needs, it is proposed that Commissioners be given the same approval authority for single and sole-source acquisitions as the City Manager, as they provide oversight and direction on their respective departmental budgets.
- Increased contingency thresholds for fixed price contracts under \$500,000, particularly for Project Managers and Managers. In the current framework, Project Managers do not have authority to approve increases to fixed price contracts and Managers have limited authority to approve increases up to 15%, to a limit of \$15,000, but only with additional written delegation. This presents challenges for contracts under \$500,000 where a high level of approval is required for a relatively small increase in value. Therefore, staff are recommending increasing the contingency thresholds for contracts under \$500,000 in order to avoid potential delays.

The following table summarizes the recommended changes:

	Current Commitment Authority	Future State Commitment Authority
All other employees	None	None
Project Managers	None	Up to 10% for contracts under \$500,000
Managers	Up to 15% with delegated authority, to a max of \$15,000	Up to 30% for contracts under \$500K & up to 10% for contracts over \$500K
Directors	Up to 15%	Any amount for contracts under \$500K & up to 15% for contracts over \$500K
Commissioners	Up to 30%	Any amount for contracts under \$500K & up to 30% for contracts over \$500K
City Manager	Any amount	Any amount

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Training

One of the key concepts identified during the Review was the need for improved and on-going training. This means not only undertaking an organization-wide approach once the By-law amendments are approved by Council, but also looking at refresher training opportunities, as well as implementing Medium Value Acquisition training for departments. While a number of these will be ongoing efforts, some of these recommendations are already being implemented:

- Training for departments to self-serve and conduct competitive procurements for price-only Medium Value Acquisitions
- Training for the organization on the By-law Amendment, once approved by Council
- On-going training and developing “quick reference” guides for departments and Procurement staff

Although the By-laws do not require amending to implement these recommendations, it is important to mention these training initiatives as part of the overall improvements as a result of the Procurement Review.

General Process Efficiencies

In addition to making recommendations to revise the By-laws and implementing training, additional procurement process efficiencies were identified and implemented using the LEAN approach. These included:

- Upfront risk management and information technology-related security improvements
- Improving the annual procurement planning process and communication with departments
- Improving data collection from vendors who submit responses to procurement calls
- Standardizing processes and developing a business partner/service delivery mind set in the Procurement Section
- Defining clear roles and responsibilities to assist departments undergoing the competitive procurement process

Financial/Staffing/Other Implications:

There are no further financial implications to the implementation of the Procurement and Financial Control Framework Review.

Relationship to the Strategic Plan:

The review of the City’s procurement and financial control framework aligns with Goal 4 of the Strategic Plan, “Wise Management of Resources in Richmond Hill.” The implementation of the Review of the Procurement and Financial Control By-laws is intended to drive responsible and innovative decision making in how the City acquires goods and services on behalf of the residents and businesses of Richmond Hill, and serving as a role model for municipal management.

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Conclusion:

The implementation of changes to the Procurement and Financial Control By-laws outlined as a result of the Procurement Review represent efforts to continuously improve our procurement and financial control frameworks and to rest accountability appropriately within the organization, while being transparent about our policies and practices to ensure best value for the residents of Richmond Hill.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call the contact person listed in this document.

- Appendix A: By-law No. 141-20 - Amendments to Procurement and FCB By-laws

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Report Approval Details

Document Title:	SRCFS.20.034 amend Procurement Policy By-law No. 113-16 and Financial Control By-law No. 114-16.docx
Attachments:	- SRCFS.20.034 By-law 141-20 - Amendements to Procurement and FCB By-laws.docx
Final Approval Date:	Nov 9, 2020

This report and all of its attachments were approved and signed as outlined below:

David Dexter - Nov 9, 2020 - 1:58 PM

Sherry Adams - Nov 9, 2020 - 2:19 PM

MaryAnne Dempster - Nov 9, 2020 - 2:56 PM