

Date: 2022-08-23

Subject: Limited Tendering Audit Report 2022

Contact: Claire Fang Mu, Director, Internal Audit, (905) 874 2215,
Fang.Mu@brampton.ca

Report Number: CAO's Office-2022-837

Recommendations:

That the report titled: **Limited Tendering Audit Report 2022** to the Audit Committee Meeting of Sept 27, 2022, be received.

Improvement Required**Executive Summary:**

- The report highlights control gaps in the Limited Tendering Process around authority limits, reporting to Council, and the complaint process.
- The overall audit was rated as **“Improvement Required.”**
- The impact of the one Priority 1 (P1) finding on the overall audit rating is mitigated by the overall strengths of the process and the medium inherent risk as follows;
 - Compliance with Purchasing By-law 19-2018, Schedule C (Justification process), and Schedule B (Award authority) for sample Limited Tendering/ Non-Competitive procurements;
 - Adequate identification, tracking, and reporting of Limited Tendering procurements in the PeopleSoft financial system;
 - Reporting of Limited Tendering procurements to Council in accordance with its existing defined process through the Purchasing By-law; and,
 - Appropriate approval and documentation processes were followed for Limited Tendering procurements, including approved requisitions, verification that funds were available, and insurance requirements were met before releasing the Purchase Order (PO).
- The issues and associated management action plans are detailed in the body of the audit report located in **Appendix 1: Limited Tender Audit 2022 Report**.
- See **Appendix 2** and **Appendix 3** for the criteria for rating findings and audit report rating.

Internal Audit discussed the following improvement opportunities with Corporate Support Services Management:

Process	Finding	Rating
<p>1. Limited Tendering Award Authority Limits</p>	<p>When read together with the City's <i>Administrative Directive for the Delegation of Department Head Purchasing Authority</i>, the current Purchasing By-law makes it possible to circumvent award authority limits.</p> <ul style="list-style-type: none"> • The current City of Brampton Purchasing By-law does not require approvals or approvers to consider the total contract value, only the cumulative extensions. Some municipalities, such as the City of Mississauga, require the approver consider the total contract value, including the initial contract value, and not just the value of the amendment. Other municipalities specify limitations on contract extensions, either by a percentage of the original contract value or by a predetermined threshold amount. • We noted that approvals for competitive and non-competitive multi-year contracts do not consider the total contract value over the contract duration when determining the appropriate level of approval authority. • Similarly, when seeking approval for competitive and non-competitive contract extensions, approvers do not consider the total contract value when determining the appropriate level of approval authority. 	<p style="text-align: center;"> P1</p>
<p>2. Council Report on Limited Tendering Transactions</p>	<p>City Council may not have adequate oversight over Limited Tendering contracts for the following reasons:</p> <ul style="list-style-type: none"> • The current Purchasing By-law does not require Limited Tendering procurements under 100 thousand dollars be reported to Council. • Limited Tendering procurement as a percentage of total procurement is not required to be reported to Council. • Limited Tendering contract extensions and renewals over 100 thousand dollars totalling 26.59 million dollars, were not explicitly identified, categorized and summarized in reports to Council. 	<p style="text-align: center;"> P2</p>

<p>3. Complaint and Dispute Resolution</p>	<p>There is currently no defined procedure for bidders to raise any potential disputes or concerns over how the City conducts its procurements. Section 2.6 of the Purchasing By-law requires consideration is given to any bid complaint submitted to the City in accordance with Supporting Policies and Procedures.</p> <p>In the absence of a formal bid dispute process, the City may not be aware of any possible vendor concerns which could exist and jeopardize a fair and transparent public procurement process.</p>	
<p>These issues and associated management action plans are discussed in more detail in Appendix 1. These issues are rated as per the criteria described in Appendix 2.</p>		

Conclusion:

The objective of the audit was to evaluate the effectiveness of processes and controls in place around Limited Tendering procurements, to identify strengths and to provide recommendations for improvement. It was determined that improvement is required by management to strengthen oversight over the limited tendering process.

The overall report rating is determined per the audit report rating criteria explained in **Appendix 3**.

Authored by:

Anand Heeraman, Sr. Internal Auditor
Internal Audit

Reviewed by:

Gurpreet Singh, Manager
Internal Audit

Approved by:

Claire Fang Mu, Director
Internal Audit

Submitted by:

Paul Morrison
Interim Chief Administrative

- Attachments:**
- Appendix 1: Limited Tendering Audit Report 2022
 - Appendix 2: Criteria for Evaluating Audit Findings
 - Appendix 3: Criteria for Audit Report Rating