REPORT TO

AUDIT COMMITTEE

PROCESS FOR APPROVING PROCUREMENT AWARDS ABOVE $50,000

The Lord is on my side; I will not fear. What can man do to me? -Psalm 118:6

Created, Draft	First Tabling	Review
September 10, 2019	September 17, 2019	Click here to enter a date.

Steve Camacho, Chief Information Officer
Paul De Cock, Comptroller for Business Services & Finance
Morris Iafrate, Senior Coordinator of Renewal
Martin Farrell, Superintendent Environmental Support Services
Donna Reid, Sr. Coordinator, Material Management

INFORMATION REPORT

Vision:
At Toronto Catholic we transform the world through witness, faith, innovation and action.

Mission:
The Toronto Catholic District School Board is an inclusive learning community uniting home, parish and school and rooted in the love of Christ.
We educate students to grow in grace and knowledge to lead lives of faith, hope and charity.

Rory McGuckin
Director of Education

D. Koenig
Associate Director
of Academic Affairs

L. Noronha
Associate Director of Facilities,
Business and Community
Development, and
Chief Financial Officer

A. EXECUTIVE SUMMARY

During the Governance and Policy Committee Meeting of June 4th, 2019, Trustees modified the proposed Purchasing Policy to include the requirement for staff to seek the approval of the Board of Trustees for contracts and expenditures greater than $50,000.

To action the changes in the Purchasing Policy, staff have developed a process that would allow the Board to approve Procurement Awards above $50,000 before any purchase orders are issued or any invoices are paid. Procurement Awards are new reports that staff would create as the end deliverable for any procurement activities. These procurement activities include tenders, request for proposals (RFP), sole/single source agreements, service contracts, and consortium purchases. Purchase orders would then be issued against specifically approved procurement award reports using established internal management procedures in the SAP financial system.

This report is to provide the Audit Committee with an overview of this new procurement award process staff will be using to implement the Purchasing Policy changes approved by the Board of trustees.

The cumulative staff time required to prepare this report was 50 hours

B. PURPOSE

The purpose of this report is to provide the Audit Committee information on the process staff will be using to implement the Purchasing Policy changes approved by the Board of trustees.

C. BACKGROUND

1. As part of a normal 5-year review process, staff initially presented an updated Purchasing Policy to the Board for review at the Governance and Policy Committee on March 20, 2019. The Committee did not complete the review and recommendation of the policy at that meeting, but rather deferred it pending further discussion in a "Triple Private" setting without any staff present.

2. During the Governance and Policy Committee Meeting of June 4th, 2019, Trustees modified the proposed Purchasing Policy to include the following language in the objectives section of the policy.

    "The Board of Trustees delegates to the Director of Education the authority to approve the award of all contracts and expenditures up to $50,000. All other contracts and expenditures greater than $50,000 must be approved by the Board of Trustees before any money is spent."
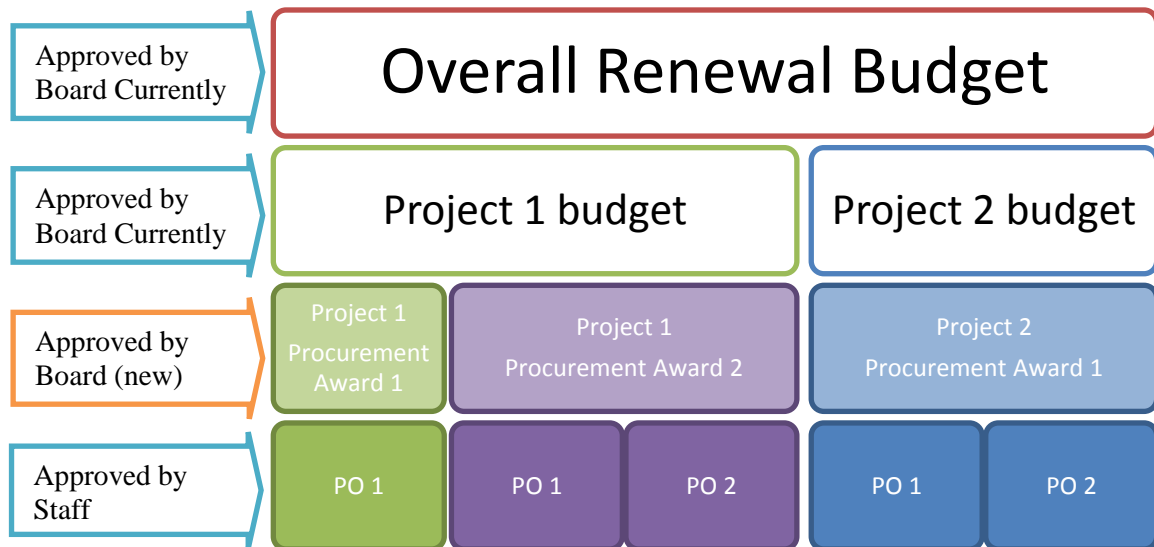
    Although this language was not specifically listed as a policy regulation, staff have interpreted the language to mean that the Board intends to approve all procurements above $50,000. This level of authority was previously given directly to staff.

3. In the report to Board on June 13th, 2019 staff advised the Board that implementation of $50,000 threshold for procurements could impact the TCDSB operations. Specially staff advised that:

    - There will be an increase in number of reports on Board meeting agendas which could make meetings longer and/or cumbersome.
    - Timeliness of approvals at Board could affect operations particularly with respect to time sensitive procurements.
    - Contracts not approved in a timely manner may reduce the TCDSB's ability to use funds provided by the Ministry.
    - Construction change orders are time sensitive. Even small delays can impact progress and increase costs through delays claims by contractors.
    - There may be additional workload requirements on staff to action this new policy requirement.
    - There are all already directives in place to ensure competitive bidding such as the recent Ministry directive with respect to centralized procurement.

4. The Board approved the final version of the Purchasing Policy at the Regular Board meeting June 13th 2019 including the updated objective language.

5. Staff did not have an opportunity to develop an updated process prior to the approval of the new Purchasing Policy. As a result, on interim basis, staff have been sending every purchase order above $50,000 to the Board for approval. Over the summer this resulted in 62 additional approvals for the Vice-Chair (under delegated authority) to approve on behalf of the Board.

Given the high volume of purchase orders, staff do not believe this is a sustainable practice in the long term with current staffing levels. Staff have developed an updated process that provides the Board with the same general oversight through a Procurement Award process described below.

D. EVIDENCE/RESEARCH/ANALYSIS

1. To action the changes approved by the Board to the Purchasing Policy, staff have developed a process that would allow the Board to approve Procurement Awards above $50,000 before any purchase orders are issued or any invoices are paid. Procurement Awards are reports that staff would create as the end deliverable on any new procurement activities. Theses procurement activities include tenders, request for proposals (RFP), sole/single source agreements, service contracts, and consortium purchases.

2. In order to enable Board oversight while still maintaining a relatively streamline process staff would need a procurement award to start any significant work with any vendor. Purchase orders would then be issued against specifically approved procurement award reports using established internal management procedures in the SAP financial system.

3. To ensure spending is in line, purchase orders would be limited to the amounts set out in the Procurement Award report. In addition, procurement awards would be limited to a timeframe and/or a project budget. Furthermore, procurement awards would be limited to overall amounts approved by the Board for the operating, reserve, capital, or renewal budgets. An illustration of this framework is below using a generic renewal project.

Approved by Board Currently	Overall Renewal Budget	
Approved by Board Currently	Project 1 budget	Project 2 budget
Approved by Board (new)	Project 1 Procurement Award 1 / Project 1 Procurement Award 2	Project 2 Procurement Award 1
Approved by Staff	PO 1 / PO 1 / PO 2	PO 1 / PO 2

4. As is common with many projects, a project budget would include a contingency amount that would be approved by the Board with the project approval. Within this process, if an approved contingency budget is used with a vendor that has already been approved by a procurement award, it is possible that a procurement award may exceed the approved amount in the procurement award up to the contingency limit of the project. Since, contingency budgets are often used for time sensitive changes orders, staff are assuming that approval has been given to spend up to the contingency amount.

5. Although the example above is illustrative of a renewal project and associated procurement awards, a similar process would be applied to the operating budget for on-going commitments of goods and services that are governed by the Procurement Policy. As mentioned above, some commitments may be time limited. For example, the Board may approve a 3-year software contract award for $300,000. In such an example, staff would be limited to issuing purchase orders up to $300,000 over a 3-year period and within the overall operating budget. After 3 years or above the approved limit, staff would need additional Board approvals to continue issuing purchase orders for the associated goods.

6. It is important for the Board of Trustees to note that some Procurement Awards may be presented to the Board for existing contracts that were previously approved by staff before the Purchasing Policy was changed. If the Board, for some reason, did not approve such a procurement award, it may put the TCDSB in a breach of contract situation. Staff will identify with Procurement Awards are for existing contracts.

7.	Although the Board may give staff, through the Director, approval for specific procurement awards, there are additional purchase order release limits on individual purchase orders that have been established through the Board's procurement procedures.

8.	In addition to the release limits on purchase orders, purchase orders above $10,000 are also reviewed by staff in the Materials Management department before they are issued to vendors to ensure compliance with approvals and the Purchasing Policy.

# E.	ACTION PLAN

1.	To action the process above, staff have developed standard report templates that will be used for all procurement awards. There are two templates. The first is a generic procurement award template that will be used for most procurement awards. The second template will be used when the procurement award is tied to a specific project. The second template has additional information about the associated project and allows staff to ask the Board for an updated project budget when necessary. The second template will most likely be used for renewal projects as the tender results can sometimes have a significant impact on the overall project budget. Both templates are attached as appendix A and B to this report.

2.	At the monthly Corporate Services Committee meeting of the Board, staff would package up all the procurement awards under one summary report for approval by the Board as one agenda item.

3.	Procurement scoring details will also be provided for individual Trustees to view prior to the private meeting of Corporate Services Committee. Key staff responsible for each procurement award will also be on hand to answer questions about the procurement process. As this information is highly confidential and commercially sensitive to vendors, the scores will only be provided for viewing during these times. Materials Management staff will retain all copies of the scores after the viewing period.

4.	Staff will endeavour to present all procurement awards at the Corporate Service Committee meeting; however, any time-sensitive item may be presented to the Board at other committee or Board meetings.

F.   CONCLUDING STATEMENT

This report is for the consideration of the Board.

APPENDIX A

PROCUREMENT AWARD REPORT

Report Name	
Division	
SO/Executive	
Initiator/Requestor	
Report Type	Choose an item.

Tender/RFP Information

RFP/Tender #		Value + Net HST	
Term Start Date	Click or tap to enter a date.	Term End date	Click or tap to enter a date.

Description of Goods/Service or Change

Procurement Process

Procurement Type	Choose an item.
Consortium/Group Purchase	Choose an item.
# of Compliant Bidders/Respondents	
Name of Recommend Vendor/Bidder	
Winning Bid Value + Net HST	
Budget Source	
Budget Source approval (Report & Date)	
Under/Over Budget	Choose an item.

Formal Award Recommendation

APPENDIX B

Procurement Award Report

and Project update

Report Name	
Report #	
Division	
SO/Executive	
Initiator/Requestor	
Report Type	Choose an item.

Tender/RFP Information

RFP/Tender #		Value + Net HST	
Term Start Date	Click or tap to enter a date.	Term End date	Click or tap to enter a date.

Description of Goods/Service or Change

Procurement Process

Procurement Type	Choose an item.
Consortium/Group Purchase	Choose an item.
# of Compliant Bidders/Respondents	
Name of Recommend Vendor/Bidder	
Winning Bid Value + Net HST	
Budget Source	
Budget Source approval (Report & Date)	
Under/Over Budget	Choose an item.

Formal Award Recommendation

Project Funding Update

Note: Complete this for any purchasing awards that have an impact on a project budget

Funding Statement

[Add School Name here-remove brackets] - (All amounts include net HST)	Cost	Balance
Approved Project Budget A		$
Approved Project Budget B		$
Consulting Fees	$	
Technical Development Allowance	$	
Contingency Allowance	$	
Total Project Cost		$
Balance		$

Project Budget Change Needed?	
Budget Change Amount	

Formal Budget Change Recommendation

Project History/Background

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List Related Reports

(delete this page if not needed)

Report Name	Date of Review