



AUDIT, FINANCE AND ADMINISTRATION COMMITTEE REPORT 11-014

Wednesday, December 7, 2011

9:30 a.m.

Council Chambers

City Hall

71 Main Street West

Hamilton, Ontario

Present: Councillors B. Clark (Chair), B. Johnson (Vice Chair), B. Morelli, M. Pearson and R. Powers

Also Present: R. Rossini, General Manager, Finance & Corporate Services
T. Tollis, City Treasurer
R. Male, Director, Financial Services
A. Pekaruk, Director of Audit Services
M. McChesney, Director, Information Services
A. Mastandrea, Procurement Manager
S. Paparella, Legislative Assistant, Office of the City Clerk

THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 11-014 AND RESPECTFULLY RECOMMENDS:

1. APPOINTMENT OF CHAIR AND VICE CHAIR (Item A)

- (a) That Councillor B. Johnson be appointed as Chair of the Audit, Finance & Administration Committee for 2012.
- (b) That Councillor M. Pearson be appointed as Vice Chair of the Audit, Finance & Administration Committee for 2012.

2. Monthly Status Report of Tenders and Requests for Proposals for October 15, 2011 to November 11, 2011 (FCS11004(g)) (City Wide) (Item 5.1)

That Report FCS11004(g), respecting the Monthly Status Report of Tenders and Requests for Proposals for October 15, 2011 to November 11, 2011, be received.

3. 2012 Tax Budget - Chronically Under Funded Programs (FCS11005) (City Wide) (Item 5.2)

That Report FCS11005, respecting the 2012 Tax Budget – Chronically Under Funded Programs, be received.

4. Tax Appeals Under Section 357 and 358 of the Municipal Act, 2001 (FCS11003(h)) (City Wide) (Item 5.4)

(a) That Appendix “A”, attached to Report 11-014, respecting the “Tax Write-Offs processed under Section 357 of the Municipal Act, 2001”, in the amount of \$110,752 be approved; and,

(b) That Appendix “B”, attached to Report 11-014, respecting the “Tax Appeals due to a Gross or Manifest Clerical Error, Pursuant to Section 358 of the Municipal Act, 2001”, in the amount of \$14,909, be approved.

5. Follow Up of Audit Report 2009-11 - Parking Revenues (AUD11032) (City Wide) (Item 5.5)

That Report AUD11032, respecting the follow up of Audit Report 2009-11, Parking Revenues, be received.

6. Evaluation of the City of Hamilton Purchasing Program Update (FCS09109(c)) (City Wide) (Item 7.1)

(a) That the City of Hamilton Procurement Policy, attached as Appendix “C” to Report 11-014, be approved;

(b) That a by-law to adopt and maintain a Procurement Policy for the City of Hamilton, in substantially the form set out in Appendix “A” to Report FCS09109(c), be enacted;

(c) That the City of Hamilton not adopt any specific procurement policy with respect to applying a preference, or penalty, based on the following:

(i) the geographical location of any vendor/supplier, or potential vendor/supplier, of goods and services to the City of Hamilton and its’ affiliated entities; or

(ii) the Canadian, Ontario and/or Hamilton/local content of any goods and services provided, or to be provided, to the City of Hamilton and its’ affiliated entities;

- (d) That Item "B", respecting "Buy Local" be considered complete and removed from the General Issues Committee's Outstanding Business List;
- (e) That the Purchasing Sub-Committee be renamed the Procurement Sub-Committee to reflect the renaming of the Procurement Section;
- (f) That after the initial implementation period of 12 months, Audit Services be directed to conduct a review to assess City staff adherence to Procurement Policy #19 – Non-compliance with the Procurement Policy and to report their findings to the Audit, Finance and Administration Committee;
- (g) That the Procurement Sub-committee be provided the flexibility and latitude to consider alternative proposals that come through as suggestions during the Request for Proposal Process (RFP) process.
- (h) That the City Manager be directed to review the Departmental use of the Commercial Advertising and Sponsorship Policy from a Corporate-wide, systemic standpoint and report back to the Audit, Finance & Administration Committee.
- (i) That staff be directed compile a listing of the total number of addendums to construction contracts in a one year period; and to include values and numbers in that listing, and report to the Audit, Finance & Administration Committee; and,
- (j) That staff be directed to review the Commercial Advertising and Sponsorship Policy, with the intent of incorporating the appropriate language into the Hamilton Procurement Policy to replace Policy 24 (Solicitation of Vendors), pursuant to the Commercial Advertising and Sponsorship Policy, which was approved by Council on June 11, 2008 (PW80860), and report to the Audit, Finance & Administration Committee with recommendations.

7. Audit Report 2011-08 - Procurement Card Usage (AUD11033) (City Wide) (Item 8.1)

- (a) That Report AUD11033, respecting Audit Report 2011-08, Procurement Card Usage, be received;
- (b) That the Management Action Plans, as detailed in Appendix "D" (Part C only) of Report 11-014, be approved;

- (c) That the City Treasurer be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "A" - Part B (not completed) and Part C (new) to Report AUD11033) implemented; and,
- (d) That should any expenditures be incurred by the City, whether through the use of City issued credit cards or an employee's personal credit card, unless the appropriate and complete documentation is provided, the employee be required to pay for that expense.

8. 2012 Internal Audit Work Plan (AUD11037) (City Wide) (Item 8.2)

That Appendix "E" attached to Report 11-014, respecting the 2012 Internal Audit Work Plan, be approved.

9. 2012 Temporary Borrowing & Interim Tax Levy By-Laws (FCS11107) (City Wide) (Item 8.3)

- (a) That Appendix "A", attached to Report FCS11107, a By-law to Authorize the Temporary Borrowing of Monies to Meet Current Expenditures Pending Receipt of Current Revenues for 2012, be passed; and,
- (b) That Appendix "B", attached to Report FCS11107, a By-law to Authorize an Interim Tax Levy for 2012, be passed.

10. Clarification of Councillor Sponsorships and Related Expenditures (FCS11108) (City Wide) (Item 8.4)

- (a) That the Sponsorship section (refer to page 2 of Appendix "A", Policy for Eligible Expenses: Budget for the Office of the Mayor, Legislative Budget and Ward Budget, of Report FCS11108), be renamed "Sponsorships/Donations" and read as follows:

"Expenses related to sponsorships and donations (including the purchase of event tickets) will be paid by the City. No sponsorships/donations will be allowed after August 31 of an election year. Sponsorships/donations are not to be provided for any amounts levied in respect of any tax or user fees. Sponsorships/donations are limited to \$350 per named organization"; and,

- (b) That the Donations section (refer to page 9 of Appendix "A", Policy for Eligible Expenses: Budget for the Office of the Mayor, Legislative Budget and Ward Budget, of Report FCS11108), be adjusted to read as follows:

“Donations to charitable organizations in lieu of floral tribute for a funeral will be paid by the City”.

11. Award of Contract C12-02-11 Supply and Delivery of Print/Copy, Business Cards/Envelopes/Letterhead and Mail Services (FCS11109) (City Wide) (Item 8.5)

That the Request for Tenders C12-02-11 - Supply and Delivery of Print/Copy, Business Cards/Envelopes/Letterhead and Mail Services, be awarded to the lowest compliant bidders as follows (estimated annual totals):

Section A: Print and Copy Services (Lowest 4 Bidders)

1215553 Ontario Limited o/a Allegra	\$545,800
Data Document Solutions Inc.	\$554,900
723318 Ontario Inc. c.o.b. as Athens Printing Art	\$584,000
Swiaty Investments Inc. o/a Minuteman Press Stoney Creek	\$593,100

Section B: Business Cards, Envelopes and Letterhead (Lowest Bidder)

Data Document Solutions Inc.	\$65,200
------------------------------	----------

Section C: Mail Services (Lowest Bidder)

Data Document Solutions Inc.	\$31,200
------------------------------	----------

12. Desktop and Mobile Computer Contract Award and Management Policies (FCS11022(a)) (City Wide) (Item 8.7)

- (a) That the Corporate contract for desktop computers, mobile computers, monitors and peripheral devices be awarded to Dell Canada Inc. for a period of 4 years with the option to extend the contract for 2 additional years;
- (b) That the General Manager of Finance and Corporate Services be authorized to execute a contract and any other documents necessary to give effect thereto, in a form acceptable to legal counsel, with Dell Canada for desktop computers, mobile computer devices, computer monitors and peripheral devices;
- (c) That the employee discount offered by Dell for personal computer purchases be extended to staff.

13. Reinstatement of the French Advisory Committee (Item 8.8)

That the correspondence, respecting the Reinstatement of the French Advisory Committee, be referred to the Governance Committee for consideration.

FOR THE INFORMATION OF COUNCIL:

(a) CHANGES TO THE AGENDA (Item 1)

The Committee Clerk advised of the following changes to the agenda:

- (i) Added as Item 4.1, a delegation request submitted by Jack E. Book and Peter Martin, of the Newport Yacht Club – Stoney Creek Inc., respecting a request for tax relief for the currently failing Newport Marina in Stoney Creek (to appear on January 18, 2012).
- (ii) Item 5.3, Report FCS11001(g), respecting the Treasurer's Apportionment of Land Taxes for Property in Flamborough, as staff were not able to notify the resident(s) within the 14 days, required under the Municipal Act, 2001, as amended, staff is requesting that Report FCS11001(g) be tabled to the January 18, 2012 agenda in order to allow residents time to prepare their statement(s), should they choose to do so.
- (iii) A presentation has been added to Item 8.6; therefore, Item 8.6 will be moved up on the agenda and renumbered as Item 7.1.

The agenda for the December 7, 2011 Audit, Finance & Administration Committee meeting was approved, as amended.

(b) DECLARATIONS OF INTEREST (Item 2)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)

(i) November 23, 2011 (Item 3.1)

The Minutes of the November 23, 2011 meeting of the Audit, Finance and Administration Committee were approved, as presented.

(d) DELEGATION REQUESTS (Item 4)

- (i) Jack E. Book and Peter Martin, of the Newport Yacht Club – Stoney Creek Inc., respecting a Request for Tax Relief for the currently failing Newport Marina in Stoney Creek (Item 4.1)**

The delegation request, submitted by Jack E. Book and Peter Martin, of the Newport Yacht Club – Stoney Creek Inc., respecting a request for tax relief for the currently failing Newport Marina in Stoney Creek, was approved.

(e) Treasurer's Apportionment of Land Taxes for Property in Flamborough (FCS11001(g)) (Ward 15) (Item 5.3)

Report FCS11001(g), respecting the Treasurer's Apportionment of Land Taxes for Property in Flamborough, was tabled to the January 18, 2012 meeting of the Audit, Finance & Administration Committee.

(f) Evaluation of the City of Hamilton Purchasing Program Update (FCS09109(c)) (City Wide) (Item 7.1)

Tony Tollis, City Treasurer, provided a PowerPoint presentation to Committee, respecting the Evaluation of the City of Hamilton Purchasing Program Update. Mr. Tollis' comments included, but were not limited to, the following:

- **Policy #2 – Approval Authority**
 - Corporate Contracts
 - mimic the award process for departmental contracts
 - Lowest compliant bid, with approved budget.
 - Benefit is a more expedited award process

- **Revenue Generating Contracts (RGC) Include:**
 - Service Revenue Contracts
 - Profit Sharing Contracts
 - Mixed Revenue Contracts
 - Issuance and award by the General Manager and may seek Council approval
 - RFT/RFP process to be used
 - Service Revenue Contracts are exempt from the competitive procurement process

- **Request for Proposals (RFPs):**
 - Award is based on 'best value'
 - Consideration for award is based on criteria other than price only
 - Various methodologies are used in public procurement

- **Policy # 7 – Construction Contracts**
 - Adjustments required to complete construction work that does not expand the scope of work can be approved by the GM Public Works.

- Currently covered by Policy 11. Currently causes delays in scheduling and additional costs during approval process.
- **Policy # 11 – Non-competitive Procurements. (sole Source, single source)**
 - Current: 2 part approval process with either Director or General Manager and the Procurement Manager approving the request.
 - Proposed: ONLY the General Manager's approval is required.
 - Will consult with Procurement Staff.
 - Quarterly Council reports on usage will continue.

The presentation, respecting the Evaluation of the City of Hamilton Purchasing Program Update, was received.

(g) Desktop and Mobile Computer Contract Award and Management Policies (FCS11022(a)) (City Wide) (Item 8.7)

Sub-sections (c) and (d) of Report FCS11022(a), respecting the Desktop and Mobile Computer Contract Award and Management Policies, which read as follows, were tabled:

- (c) That the Corporate Desktop and Mobile Computer Management Policy (CORP-CDMCM-00), and subsidiary computer lifecycle policy (CORP-CDMCM-02), attached as Appendix A to Report FCS11022(a), be approved, which includes a 4 year replacement cycle for standard computer devices; a 3 year replacement cycle for high capacity computer devices; and an indefinite lifecycle for monitors, docking stations and peripherals;
- (d) That the lifecycle for ruggedized mobile computers be established at 4 years for a 12 month trial period, during which time data will be captured to determine an appropriate lifecycle for ruggedized mobile computer devices.

The Main Motion CARRIED on the following Standing Recorded Vote:

Yeas: Johnson, Pearson, Powers
Total: 3
Nays: Clark, Morelli
Total: 2

(h) GENERAL INFORMATION/OTHER BUSINESS (Item 11)

(i) Amendments to the Outstanding Business List (11.1):

(a) The following proposed new due date was approved:

- (i) Item "I" - Fair Taxation for Condominiums Corporations
Current Due Date: December 7, 2011
Proposed Due Date: March 19, 2012

(b) That the following items were considered complete and removed from the Audit, Finance & Administration Committee's Outstanding Business List:

- (i) Item "A" – Strategy to Deal with Areas that are Chronically Underfunded
- (ii) Item "B" – Sky Dragon Community Cooperative – Partnership Opportunities
- (iii) Item "D" – Mayor's \$10,000 Donation to the United Way

(i) PRIVATE AND CONFIDENTIAL (Item 12)

(i) Closed Session Minutes – November 23, 2011 (Item 12.1)

The Closed Session Minutes of the November 23, 2011 meeting of the Audit, Finance & Administration Committee were approved, as presented.

(j) ADJOURNMENT (Item 13)

There being no further business, the Audit, Finance and Administration Committee adjourned at 12:05 p.m.

Respectfully submitted,

Councillor B. Clark, Chair
Audit, Finance and Administration Committee

Stephanie Paparella
Legislative Assistant
December 7, 2011

City of Hamilton
Corporate Services Department
Taxation Division
Section "357" Appeals of the Municipal Act, 2001

Appeal No.	Property Address	Roll Number	Explanation	YEAR	Amount
357-09-296	430 McNeilly Rd	003110339000000	Exempt Hamilton Health Sciences occupying space	2009	-5,660.86
357-10-058	430 McNeilly Rd	003110339000000	Exempt Hamilton Health Sciences occupying space	2010	-11,260.92
357-10-083	430 McNeilly Rd	003110339000000	Exempt Hamilton Health Sciences occupying space	2010	-1,168.52
357-11-132	31 Warwick Rd	003290084000000	Demolition of buildings in June 2011	2011	-680.05
357-11-133	166 Federal St	003290228000000	Demolition of buildings in June 2011	2011	-575.04
357-11-134	4 Hill Place	003460104000000	Demolition of house and garage	2011	-1,314.33
357-11-135	120 Ray St S	010094054900000	Tax Class Conversion new owners using the property for their residence only	2011	-957.71
357-10-309	54 Hess St S	020131000100000	Demolition denied property appealed under Section 40	2010	0.00
357-10-310	221 Main St W	020131062100000	Demolition denied property appealed under Section 40	2010	0.00
357-11-139	130 Robert St	020156529400000	Gross or Manifest Error still assessed for garage that was demolished years ago	2011	-28.41
357-10-312	231 Burlington St E	020171082400000	Demolition of warehouse	2010	-5,028.14
357-10-197	350 King St E	030211710000000	Exemption denied organization affiliated but not part of the public hospital	2010	0.00
357-11-125	531 Main St E	030231011200000	Tax Class Conversion property converted to a rooming house s/b RT	2011	-1,136.17
357-11-003	760 Barton St E	030265504300000	Major Renovations denied filed under Section 364	2011	0.00
357-10-265	165 Belmont Ave	040284027000000	Exempt property purchased by Board of Education	2010	-817.63
357-10-014	167 Belmont Ave	040284027300000	Exempt property purchased by Board of Education	2010	-1,315.17
357-10-013	169 Belmont Av	040284027600000	Exempt property purchased by Board of Education	2010	-1,505.36
357-09-275	171 Belmont Ave	040284027900000	Exempt property purchased by Board of Education	2009	-845.46
357-11-141	114 Province St N	040311562500000	Exempt City purchased	2011	-1,306.41
357-11-097	115 Graham Ave N	040311586400000	Exempt City purchased	2011	-731.80
357-11-142	579 Kenilworth Ave N	040323046100000	Exempt City purchased	2011	-1,483.09
357-09-216	397 Melvin Ave	050417000100000	Exempt - Place of worship	2009	-4,399.76
357-11-143	397 Melvin Ave	050417000100000	Exempt - Place of worship	2011	-7,097.49
357-11-131	22 Rouge Hill Ct	050541065900000	Gross or Manifest Error incorrectly assessed as having a finished basement	2011	-99.06
357-10-066	83 Bigwin Rd Unit 10	060581063040000	Tax Class Conversion CT to RT during renovations after first worship exempt	2010	-135.29
357-10-066	83 Bigwin Rd Unit 10	060581063040000	Exempt now place of worship	2010	-3,258.61
357-10-328	355 Thayer Ave	070813018100000	Handicapped Accessible denied MPAC did not increase value until 2012 roll	2010	0.00
357-11-066	1355 Upper James St	070861033400000	Tax Class Conversion owner running business out of home s/b CT/RT split	2011	-2,975.11
357-11-146	335 Magnolia Dr	081072013180000	Demolition of finished basement based on June 2011 inspection	2011	-25.82
357-11-145	334 Magnolia Dr	081072040060000	Demolition removal of finished basement denied never assessed	2011	0.00
357-11-148	1173 Powerline Rd	140120188000000	Demolition of structures August 2011	2011	-231.69
357-11-050	1389 Wilson St West	140220330050000	Exempt City purchased	2011	-1,905.07
357-11-130	53 Rosseau Rd	140250436000000	Fire on property in 2010 owner states the house is inhabitable	2011	-1,416.36
357-11-112	56 St Margaret's Rd	140350314000000	Demolition of original house new house completed	2011	-2,172.91
357-11-149	87 Anson Dr	140380186000000	Demolition of old house new house being built	2011	-2,016.73
357-11-111	968 Trinity Rd	140410226000000	Demolition of all structures evidence of farming	2011	-842.71

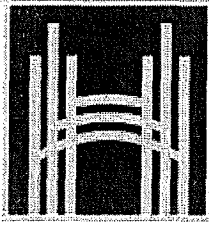
City of Hamilton
 Corporate Services Department
 Taxation Division
 Section "357" Appeals of the Municipal Act, 2001

Appeal No.	Property Address	Roll Number	Explanation	YEAR	Amount
357-10-335	153 King St W	260170100000000	Demolition of old Rona building	2010	-4,935.06
357-10-300	48 King St W	260190072000000	Demolition of building occurred in Septmeber 2010	2010	-583.99
357-11-150	28 Park Ave	302150232000000	Demolition of original house Nov 10 new house completed	2011	-1,829.68
357-11-128	1006 Highway 6	303610624000000	Demolition of old house future potatoe sorting plant	2011	-979.31
357-11-154	1724 Centre Rd	303930038000000	Demolition denied value of old house already removed from roll	2011	0.00
357-11-155	9300 Airport Rd	902310322000000	Exempt lease expired in 2010 exemption missed for 2011 roll	2011	-38,396.81
357-11-159	9300 Airport Rd	902310322000000	Exempt for 38 days old tenants out we now have new tenants	2011	-1,635.55
			Total		-110,752.08

City of Hamilton
Corporate Services Department
Taxation Division
Section "358" Appeals of the Municipal Act, 2001
Realty Tax Applications for overcharges

B- overcharge (Assessment Roll)
B1 -overcharged-application denied
E - Exempt

Appeal No.	Property Address	Roll Number	Reason	Explanation	Year	Amount
358-11-084	4 Hill Place	003460104000000	B	Gross or Manifest Error house demolished owner not aware he had to notify the city after demolition	2010	-633.70
358-11-087	130 Robert St	020156529400000	B	Gross or Manifest Error the garage was demolished about 40 years ago still reflected on the roll	2010	-28.30
358-11-088	130 Robert St	020156529400000	B		2009	-27.96
358-10-089	350 King St E	030211710000000	B1	Exemption denied organization affiliated but not part of the public hospital	2009	0.00
358-10-090	350 King St E	030211710000000	B1		2008	0.00
358-11-099	171 Belmont Ave	040284027900000	E	Exempt property owned by Board of Education	2010	-1545.85
358-11-090	397 Melvin Ave	050417000100000	B	Per policy and legislation of MPAC Jan 01-24 property classed RT exempt as at Jan 24th the first worship service occurred	2010	-303.46
358-11-090	397 Melvin Ave	050417000100000	E		2010	-6764.39
358-11-082	22 Rouge Hill Ct	050541065900000	B	Gross or Manifest Error property incorrectly assessed as having a finished basement	2010	-98.34
358-11-083	22 Rouge Hill Ct	050541065900000	B		2009	-96.71
358-11-091	334 Magnolia Dr	081072040060000	B1	Gross or Manifest Error appeal denied owners asking for removal of finished basement the basement was never assessed	2010	0.00
358-11-092	334 Magnolia Dr	081072040060000	B1		2009	0.00
358-11-080	1817 Regional Rd 97	301910136000000	B	Gross or Manifest Error incorrect split of residential and commercial	2010	-4787.61
358-11-094	1724 Centre Rd	303930038000000	B	Gross or Manifest Error demolished house still reflected on the roll	2010	-622.90
				Total		-14909.22



Hamilton

Corporate Services

FINANCIAL SERVICES

PROCUREMENT SECTION

**Procurement Policy
for the City of Hamilton**

Approved By City Council On:

XXX XX, 2011

**CORPORATE SERVICES
PROCUREMENT SECTION**

TABLE OF CONTENTS

Section		Page
	Mission, Vision and Values	
1	Procurement Goals & Objectives	
2	Responsibilities & Prohibitions of Procuring Goods and/or Services	
3	Definitions and Interpretation	
4	Procurement Policy	
	1 Vendor Eligibility	
	2 Approval Authority	
	3 Specifications	
	4 Pre-Qualification of Vendors	
	5 Determining the Procurement Process	
	5.1 Low Dollar Value Procurements	
	5.2 Request for Quotations	
	5.3 Request for Tenders	
	5.4 Request for Proposals	
	6 Unsolicited Proposals	
	7 Construction Contracts	
	8 Vendor Performance Evaluation	
	9 Consulting and Professional Services	
	10 Emergency Procurements	
	11 Non-competitive Procurements	
	12 Cooperative Procurements	
	13 Authority to Execute Contracts	
	14 Standardization	
	15 Procurement Cards	
	16 Disposal of Surplus Goods	
	17 Conflicts of Interest	
	18 Vendor Complaint Resolution	
	19 Non-compliance with Procurement Policy	
	20 Review of the Procurement Policy	
	21 Anti-Sweatshop Procurement	
	22 In-House Bid Submissions	
	23 Participation of Elected City Officials in Procurement Process	

Schedule A Statement of Ethics for Public Procurement

Schedule B Exemptions

**CORPORATE SERVICES
PROCUREMENT SECTION**

MISSION, VISION AND VALUES

Mission

- To ensure that the procurement function meets the current and future needs of the corporation, provides an economical and efficient service and is considered a value-added partner in the securing of Goods and/or Services for the corporation.

Vision

- A team of resourceful skilled professionals, working in partnership with their customers to procure the best Goods and/or Services in the most efficient manner.

Corporate Vision, Mission Statement and Values

Vision:

- To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Mission Statement:

At the City of Hamilton, our mission is to provide high quality services in a fiscally and socially responsible, environmentally sustainable and compassionate manner in order to ensure a healthy, safe and prosperous community (environment).

- We engage our citizens and promote a fair, diverse and accepting community.
- We are a skilled, knowledgeable, collaborative and respectful organization that thrives on innovation and quality customer service.
- We are lead by a forward thinking Council.
- The team shows leadership in carrying out their responsibilities and is valued and appreciated for their contributions and accomplishments.

Values:

Honesty, Respect, Accountability, Leadership, Teamwork, Innovation, Excellence and Equity

City Council also established 7 key priorities for the City of Hamilton:

1. To always act as a team.
2. To be dedicated to excellence in everything that we do.
3. To provide high quality services.
4. To act in a fiscally responsible manner.
5. To ensure a prosperous environment.
6. To be an organization that thrives on innovation.
7. To be a team that is valued and appreciated for their contribution and accomplishments.

**CORPORATE SERVICES
PROCUREMENT SECTION**

PROCUREMENT GOALS & OBJECTIVES

SECTION 1

- (1) Procure the necessary quality and quantity of Goods and/or Services in an efficient, timely and cost effective manner, while maintaining the controls necessary for a public agency, in accordance with the Procurement Policy as approved by Council.
- (2) Encourage an open and competitive bidding process for the acquisition and disposal of Goods and/or Services, and the objective and equitable treatment of all vendors.
- (3) Ensure the best value of an acquisition is obtained. This may include, but not be limited to, the determination of the total cost of performing the intended function over the lifetime of the task, acquisition cost, installation, disposal value, disposal cost, training cost, maintenance cost, quality of performance and environmental impact.
- (4) Procure Goods and/or Services with due regard to the preservation of the natural environment and to encourage the use of "environmentally friendly" products and services, as supported by Vision 2020 goals and strategies.

**CORPORATE SERVICES
PROCUREMENT SECTION**

RESPONSIBILITIES & PROHIBITIONS OF PROCURING GOODS AND/OR SERVICES

SECTION 2

(1) General Responsibilities

- (a) All City of Hamilton staff delegated with the authority to procure shall comply with the Procurement Policy for the City of Hamilton. Without limiting the foregoing, such staff shall follow the Statement of Ethics for Public Procurement attached as Schedule A to the Procurement Policy, the City's Code of Conduct for Employees Policy and Policy #17 with respect to conflicts of interest.
- (b) Procurement activities shall be subject to all applicable City of Hamilton policies and by-laws, any specific provisions of the Municipal Act, 2001 and all other relevant Federal and Provincial legislation, as may be in effect from time to time.

(2) Procurement Section Responsibilities

The City's General Manager of Finance and Corporate Services shall operate a Centralized Procurement unit on behalf of the City of Hamilton in accordance with the requirements of the Procurement Policy. In carrying out this responsibility the General Manager of Finance and Corporate Services may appoint certain City staff to act on behalf of the City in entering into Contracts with third parties. The General Manager of Finance and Corporate Services may limit the authority to procure of that City staff, as deemed appropriate. The Procurement Section will therefore have the following specific responsibilities:

- (a) Be responsible for the administration of the Procurement Policy and will continually review the procurement of Goods and/or Services to ensure the City is receiving the best value.
- (b) Ensure that procurement transactions are conducted ethically and professionally in accordance with Schedule A – Statement of Ethics for Public Procurement.
- (c) Advise on the practicability of Specifications to ensure a maximum number of competitive Bids.
- (d) Notify vendors who have expressed an interest in doing business with the City of the availability of the procurement documents.
- (e) Prepare necessary procurement documents and process Purchase Orders.
- (f) Advise and assist in the preparation of Contracts when requested.
- (g) Provide training and documentation on how to use the procurement module to users of the City's financial software application. Make available copies of the Procurement

Procurement Policy for the City of Hamilton

Approved By City Council On: XXXXXXXXXXXX XX, 2011

**CORPORATE SERVICES
PROCUREMENT SECTION**

Policy and Procurement Procedures and Guidelines to all relevant City staff.

(h) Maintain records of procurement transactions as required.

(3) General Manager Responsibilities

(a) Ensure all purchases are performed in accordance with the Procurement Policy and make required reports to the Council or any other interested party explaining why purchases are not in compliance with the Procurement Policy. The Procurement Section will offer advice and assistance in assuring that the Procurement Policy is adhered to upon request.

(b) Delegate Approval Authority to the appropriate levels and maintain the responsibility for such actions including answering questions raised by such delegation.

(c) Ensure appropriate action is taken on internal Audit Services recommendations.

(4) Internal Audit Responsibilities

(a) Internal Audit Services shall conduct selected audits to ascertain adherence to the Procurement Policy. The Procurement Section and Council shall receive a copy of the audit results.

(5) Prohibitions

The following activities are prohibited, unless specifically approved by Council:

(a) Any attempt to evade or circumvent the requirements of the Procurement Policy including, but not limited to, the division of purchases to avoid the requirements of the Procurement Policy by any method, which includes purchases made using procurement cards.

(b) Purchase by the City of any Goods and/or Services for personal use by or on behalf of any member of Council, employees of the City and their immediate families.

(c) The acceptance of gifts, benefits, money, discounts, favours or other assistance by any member of Council, employees of the City, and their families contrary to the City of Hamilton Code of Conduct for Members of Council (Appendix H to the City's Procedural By-law No. 10-053, as amended, repealed or replaced from time to time), the City's Code of Conduct for Employees Policy or such other similar policy currently in force. The image and integrity of the employee and the City of Hamilton must be preserved at all times.

(d) Purchase by the City from any member of Council or employee of the City, their family members or from any other source, that would result in a conflict of interest, unless that interest has been declared pursuant to the Municipal Conflict of Interest Act or pursuant to the City's Code of Conduct for Employees Policy or such other similar policy currently in force.

Procurement Policy for the City of Hamilton

Approved By City Council On: XXXXXXXXXXX XX, 2011

**CORPORATE SERVICES
PROCUREMENT SECTION**

(6) Exemptions

Those items listed in Schedule B - Exemptions, are exempt from the requirements of the Procurement Policy, save and except for Policy #2 - Approval Authority.

**CORPORATE SERVICES
PROCUREMENT SECTION**

DEFINITIONS AND INTERPRETATION

SECTION 3

Words and phrases used in the Procurement Policy for the City of Hamilton have the following meanings, unless expressly stated otherwise:

"Acquisition Method" means the process by which Goods or Services are procured.

"Approval Authority" means the authority to approve and award procurements, as well as any assignment or corporate change requests related to such procurements, up to the procurement values for the respective body or person(s) set out in Policy # 2 - Approval Authority.

"Approved Products Listing" means the listing of approved Goods for use with road, watermain, sewer, lighting and traffic signal work as maintained by the City's Standard and Approved Products Committee.

"Authorized Delegate" means the person who has been delegated by Council an Approval Authority and includes any other person further delegated such Approval Authority in accordance with the Procurement Policy.

"Bid" means an offer or submission from a vendor in response to a Request for Quotations, Request for Tenders or Request for Proposals issued by the City.

"Centralized Procurement" refers to the activities conducted by the Procurement Section of the City's Corporate Services Department, which facilitates the purchase of all Goods and/or Services in accordance with the requirements of the Procurement Policy.

"Child" means any person under the age of 15, unless local minimum age law stipulates a higher age for work or mandatory schooling, or under the age of 14 if minimum age law is set at that age in accordance with exceptions set out for developing countries under International Labour Organization ("ILO") Convention 138.

"City" means the City of Hamilton.

"City Manager" means the City Manager of the City of Hamilton.

"Client Department" means the City department initiating the acquisition of the Goods and/or Services.

"Consulting and Professional Services" means services rendered by members of a recognized profession or possessing a special skill. Such services are generally acquired to obtain information, advice, training or direct assistance.

"Contract" means a legal agreement between two or more parties, usually written, or a

Procurement Policy for the City of Hamilton

**CORPORATE SERVICES
PROCUREMENT SECTION**

Purchase Order.

"Cooperative Procurement" means coordination of City purchases with purchases of other government bodies, public authorities, conservation authorities, municipalities, academic, schools and hospitals (MASH) sector.

"Council" means the Council of the City of Hamilton.

"Designate" means a person authorized to act on the behalf of an Authorized Delegate.

"Emergency" means a situation, or the threat of an impending situation, which may affect the environment, life, safety, health and/or welfare of the general public, or the property of the residents of the City, or to prevent serious damage, disruption of work, or to restore or to maintain essential service to a minimum level.

"Energy Commodities" means electricity, Green Power, natural gas, methane and all other petroleum based fuel products such as: diesel, bio-diesel, unleaded, fuel oil, propane and any other bulk commodity primarily used by the City for the purpose of heating and cooling of buildings and other structures, electricity generation, cogeneration and the fuelling of City fleets, as determined by the City's Manager of Energy Initiatives.

"Expanded Works" means for approved construction projects in which an unexpected problem arises during construction, the additional work that is required to address the unexpected problem which work does not expand the scope of the project but is necessary in order to deliver the original approved work.

"General Manager" means the head of a City department and includes the Medical Officer of Health and the City Manager.

"Goods" includes supplies, equipment, materials, products, structures and fixtures to be delivered, installed or constructed.

"Green Power" means electricity generated from renewable energy sources, such as certified water power, solar, biogas, biomass and wind. Other terms for Green Power include: Green Power certificates, Tradable Renewable Certificates or "Green Tags". These attributes, embodied in a certificate, may be bought and sold either bundled or unbundled with commodity electricity.

"Low Dollar Value Procurements" means the process of procuring Goods and/or Services with an estimated annual procurement cost of up to but not including \$5,000.

"Lowest Compliant Bid" means a Bid with the lowest price meeting all requirements of a RFQ, RFP or RFT, subject to any rights or privileges reserved by the City contained in the respective procurement document, or unless otherwise approved by Council.

"Mixed Revenue Contracts" has the same meaning as set out in the definition of Revenue

**CORPORATE SERVICES
PROCUREMENT SECTION**

Generating Contracts.

"Procurement Manager" means the Procurement Manager for the City of Hamilton.

"Procurement Policy" means the procurement policies approved by Council, as amended from time to time.

"Procurement Procedures and Guidelines" means the procurement procedures and guidelines approved by the City's Director of Financial Services, as amended from time to time.

"Purchase Order" means a written offer to procure Goods and/or Services or a written acceptance of an offer, in a form acceptable to the City Solicitor.

"Purchase Requisition" means an internal online request by a Client Department to the Procurement Section for procurement of Goods and/or Services.

"Request for Quotations" or "RFQ" means an informal request for prices on Goods and/or Services with an estimated procurement cost between \$5,000 and up to but not including \$50,000, and where comprehensive technical Specifications can be developed. Request for Quotations may be processed by the Client Department.

"Request for Information" or "RFI" means a process where information is requested from vendors regarding the feasibility and availability of specific Goods and/or Services in the marketplace and to determine if there are enough suppliers to justify a Request for Proposals or Request for Tenders.

"Request for Proposals" or "RFP" means a formal request for prices and details on Goods and/or Services from vendors, where the Goods and/or Services may not be able to be fully defined or specified or when alternate methods are being sought to perform a certain function or service, at the time of the request.

"Request for Roster Candidates" or "RFRC" means a procurement document issued by the City requesting pricing and details with respect to category specific consulting services from vendors, with the intent of creating an approved list of vendors known as rostered candidates, and whereby work assignments under a specific cost limit will be offered by the City to said rostered candidates on an as-needed basis over a two-year period.

"Request for Tenders" or "RFT" means a formal request for prices on Goods and/or Services from vendors, where the Goods and/or Services are able to be fully defined or specified at the time of the request.

"Revenue Generating Contracts" means a legal agreement between the City and a third party, that yields a financial return for the City. Revenue Generating Contracts include, but are not limited to:

- (a) the sale of Goods and Services by the City to a third party ("Service Revenue Contracts");
- and

Procurement Policy for the City of Hamilton

Approved By City Council On: XXXXXXXXXX XX, 2011

**CORPORATE SERVICES
PROCUREMENT SECTION**

- (b) Contracts whereby the City receives a portion of revenues, sales or profits earned by a third party under contract with the City ("Profit Sharing Contracts"); and
- (c) a combination of various types of Revenue Generating Contracts ("Mixed Revenue Contracts").

"Services" means all professional, consulting, construction or maintenance services, as well as any other services described in a Contract or in a RFQ, RFT or RFP.

"Service Revenue Contracts" has the same meaning as set out in the definition of Revenue Generating Contracts.

"Specifications" means the detailed description of, and written requirements and standards for, Goods and/or Services contained in a RFQ, RFP or RFT to the extent known or available to the Client Department, and also includes any drawings, designs and models.

"Standardization" is a management decision-making process that examines a specific common need or requirement and then selects a Good and/or Service that best fills that need to become the standard.

"Sweatshop" means a facility where individuals manufacture, assemble or produce consumer goods in working conditions that constitute Sweatshop Conditions.

"Sweatshop Conditions" means working conditions that include any of the following:

- (a) employees are not provided with working conditions that: meet or exceed the International Labour Organization ("ILO") Conventions' standards governing forced labour (ILO Convention 29 – Forced Labour Convention, 1930) and (ILO Convention 105 - Abolition of Forced Labour Convention, 1957), child labour (ILO Convention 138 – Convention concerning Minimum Age for Admission to Employment – the "Minimum Age Convention, 1973" and United Nations Convention On The Rights Of The Child – November 20, 1989, Article 32), payment of wages (ILO Convention 95 - Protection of Wages Convention, 1949), hours of work, occupational health, occupational safety, and non-discrimination (ILO Convention 111 – Discrimination {Employment and Occupation, 1958}); and are in compliance with all applicable federal, state, provincial and local laws of the locality of manufacture; and
- (b) employees are compensated by their employer at an hourly rate below the poverty threshold; and
- (c) employees are subject to forced labour practices, whether in the form of involuntary prison labour, indentured labour, bonded labour or otherwise; and
- (d) employees are under the age of 18 are exposed to situations, in or outside the workplace, that are hazardous, unsafe or unhealthy; and

**CORPORATE SERVICES
PROCUREMENT SECTION**

- (e) employees are not provided with a minimum of one day off for every seven-day period; and
- (f) employees are subject to physical, sexual, psychological abuse or harassment, verbal abuse, or any other form of abuse, including corporal punishment; and
- (g) employees are not provided with a safe and hygienic workplace, including access to clean toilet facilities and safe drinking water.

"Time-Sensitive" means a situation for which the timing to complete the procurement is paramount, but the time available to follow normal procedures is insufficient.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 1 - Vendor Eligibility

SECTION 4.1

- (1) The City will make reasonable efforts to maintain an electronic vendor database of those vendors who have expressed an interest in doing business with the City and who have completed an online registration form.
- (2) Without limiting or restricting any other right or privilege of the City and regardless of whether or not a Bid otherwise satisfies the requirements of a RFP or RFT, the City may reject any Bid from a vendor where,
 - (a) *in the opinion of the City, the commercial relationship between the City and the vendor has been impaired by the act(s) or omission(s) of such vendor including but not limited to any one or more of the following having occurred within the five year period immediately preceding the date on which the RFP or RFT is awarded:*
 - (i) the vendor being involved in litigation with the City;
 - (ii) act(s) or omission(s) resulting in a claim by the City under any security submitted by the vendor on a RFP or RFT, including but not limited to a bid bond, a performance bond, or warranty bond;
 - (iii) the failure of the vendor to pay, in full, all outstanding payments (and, where applicable, interest and costs) owing to the City by such vendor, after the City has made demand for payment of same;
 - (iv) the vendor's refusal to follow reasonable directions of the City or to cure a default under any Contract with the City as and when required by the City;
 - (v) the vendor's refusal to enter into a Contract with the City after the vendor's Bid has been accepted by the City;
 - (vi) documented poor performance of a vendor as per Policy #8 – Vendor Performance Evaluation, including the vendor's refusal to perform or to complete performance of a Contract with the City;
 - (vii) the vendor having unlawfully or unreasonably threatened, intimidated, harassed, or otherwise interfered with an attempt by any other prospective vendor to bid for a City Contract or to perform any Contract awarded by the City to that vendor;
 - (viii) the vendor having discussed or communicated, directly or indirectly, with any other vendor or their agent or representative about the preparation of the vendor's Bid including, but not limited to, any connection, comparison of figures or arrangements with, or knowledge of any other vendor making a Bid for the same work;
 - (ix) the vendor having unlawfully or unreasonably threatened, intimidated, harassed,

**CORPORATE SERVICES
PROCUREMENT SECTION**

assaulted or committed battery against, or otherwise interfered with an official, employee, representative, agent or independent consultant or contractor of the City in the performance of his or her duties or in any way attempted to influence such persons;

- (x) the vendor has on one or more occasions, in the performance of a Contract with the City, deliberately, with wilful blindness or negligently, save and except an inadvertent error corrected to the satisfaction of the City within a reasonable time, as determined by the City,
1. over-billed, double-billed and/or retained a known over-payment, or has failed to notify the City of an over-payment or duplicate payment;
 2. billed for items not supplied;
 3. billed for items of one grade, while supplying items of an inferior grade;
 4. made a misrepresentation as to the quality or origin of Goods, their functionality or suitability for a purpose, or their performance characteristics;
 5. submitted false or misleading information to the City;
 6. acted in conflict with the City's interests;
 7. misappropriated any property or right of the City, in any form; or
 8. committed any other form of sharp or deceptive practice;
- (b) in the opinion of City and Council there are reasonable grounds to believe that it would not be in the best interests of the City to enter into a Contract with the vendor, including but not limited to:
- (i) the conviction of that vendor or any person with whom that vendor is not at arm's length within the meaning of the *Income Tax Act (Canada)* of an offence under any taxation statute in Canada;
 - (ii) the conviction or finding of liability of that vendor under the *Criminal Code* or other legislation or law, whether in Canada or elsewhere and whether of a civil, quasi-criminal or criminal nature, of moral turpitude including but not limited to fraud, theft, extortion, threatening, influence peddling and fraudulent misrepresentation;
 - (iii) the conviction or finding of liability of that vendor under any environmental legislation, whether of Canada or elsewhere, where the circumstances of that

Procurement Policy for the City of Hamilton

**CORPORATE SERVICES
PROCUREMENT SECTION**

- conviction evidence a gross disregard on the part of that vendor for the environmental well-being of the communities in which it carries on business;
- (iv) the conviction or finding of liability of that vendor relating to product liability or occupational health or safety, whether of Canada or elsewhere, where the circumstances of that conviction evidence a gross disregard on the part of that vendor for the health and safety of its workers or customers;
 - (v) the conviction or finding of liability of that vendor under the financial securities legislation whether of Canada or elsewhere, where the circumstances of that conviction evidence a gross disregard on the part of that vendor for its stakeholders.
- (3) For the purposes of subsections (2), (4),(5), (6)(d) and (7) of this Policy #1, a reference to a vendor shall also include: an officer, a director, a majority or controlling shareholder, or a member of the vendor, if a corporation; a partner of the vendor, if a partnership; any corporation to which the vendor is an affiliate of or successor to, or an officer, a director or a majority or controlling shareholder of such corporation; and any person with whom that the vendor is not at arm's length within the meaning of the Income Tax Act (Canada).
- (4) In the circumstances described in subsection (2), the City may, in addition or in the alternative to rejecting a Bid from a vendor, ban a vendor(s) from competing for or being awarded any City Contract for a period of up to ten years. However for the purposes of this subsection, the five year period referred to in subsection (2)(a) shall be the five year period immediately preceding the date on which the ban is approved by Council.
- (5) Without limiting or restricting any other right or privilege of the City, the City may refuse to enter into a Contract with a vendor where any of the circumstances described in (2)(a) or (2)(b) of this Policy #1 have occurred within the five year period preceding the date on which the refusal to enter into the Contract is approved by Council. In addition or in the alternative to refusing to enter into the Contract, the City may ban a vendor(s) from competing for or being awarded any City Contract for a period of up to ten years.
- (6) Where the Contract is awarded to a vendor who has made an unauthorized amendment to the City's pre-printed forms (e.g. *Form of Proposal* or *Form of Tender*) or other documents submitted as part of the vendor's Bid, then within a reasonable time of the City discovering that unauthorized amendment, the City may,
- (a) permit the vendor to withdraw an unauthorized amendment to the City's *Form of Proposal* or *Form of Tender*, at no cost to the City; or
 - (b) cancel or terminate the Contract without any compensation whatsoever to the vendor by giving written notice to that effect to the vendor; or
 - (c) recover from such vendor any amounts the City paid to the vendor and all costs,

**CORPORATE SERVICES
PROCUREMENT SECTION**

expenses, damages and losses incurred or accrued by the City as a result of the unauthorized amendment; or

- (d) ban such vendor from competing for or being awarded any City Contract for a period of up to ten years where, in the opinion of Council, the change was made by the vendor as part of a deliberate attempt to deceive and such deception has resulted in an impairment of the commercial relationship between the City and such vendor,

or any combination of the foregoing.

- (7) Where a vendor has the Lowest Compliant Bid to a RFT or RFP or has the successful Bid in accordance with the evaluation methodology set out in a RFP, which Bid has been rejected due to the vendor's failure to initial a legible change such as an erasure, strike out, white out, cross out or overwriting, within one business day of the City's request, the vendor shall also be banned from competing for or being awarded any City Contract for a period of one year. Only the ban, and not the rejection of the Bid, may be challenged by the vendor in accordance with Policy #18 – Vendor Complaint Resolution.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 2 - Approval Authority

SECTION 4.2

- (1) Any person delegated Approval Authority pursuant to this Policy #2 shall ensure that an approved budget exists for the proposed procurement and that such procurement does not violate any City policies or any applicable law. Any such procurement shall also satisfy any applicable audit requirements of the City.
- (2) The following body and persons shall have the respective Approval Authority as set out below:
 - (a) **Council** must approve budgetary funding for any procurement of a value of \$250,000 or greater.
 - (b) **City Manager** must approve any procurement of a value of \$100,000 up to but not exceeding \$250,000. The City Manager may further delegate such Approval Authority to his/her staff, who are referred to as an Authorized Delegate in the table below, at the procurement values he/she deems appropriate. Staff who have been further delegated Approval Authority from the City Manager to approve procurements **shall have no authority to** delegate this Approval Authority to any other person. The City Manager may also exercise the Approval Authority of a General Manager.
 - (c) **General Managers** are authorized to approve procurements of a value up to but not including \$100,000, save and except in an Emergency wherein Policy #10 shall apply. **Only** General Managers may further delegate such Approval Authority to their staff, who are referred to as an Authorized Delegate in the table below, at the procurement values they deem appropriate. Staff who have been further delegated Approval Authority from their General Manager to approve procurements **shall have no authority to** delegate this Approval Authority to any other person.
 - (d) **The above approval authorities are summarized in the following table.**

**CORPORATE SERVICES
PROCUREMENT SECTION**

ESTIMATED PROCUREMENT VALUE (\$, Canadian Funds, exclusive of applicable taxes)	APPROVAL AUTHORITY POLICY #2	PROCUREMENT PROCESS POLICY
Up to \$4,999	General Manager or Authorized Delegate	Policy #5.1 – Low Dollar Value Procurements
\$5,000 or greater	General Manager or Designate	Policy #10 – Emergency Procurements Policy #7 – Construction Contracts
\$5,000 – \$49,999	General Manager or Authorized Delegate	Policy #5.2 – Request for Quotations Policy #11 – Non-competitive Procurements
\$5,000 – \$49,999	General Manager or Authorized Delegate unless any of the conditions in subsection (3) of this Policy #2 apply, then Council approval is required.	Policy #5.4 – Request for Proposals Policy #11 – Non-competitive Procurements
\$50,000 - \$99,999	General Manager or Authorized Delegate unless any of the conditions in subsection (3) of this Policy #2 apply, then Council approval is required.	Policy #5.3 – Request for Tenders Policy #5.4 – Request for Proposals Policy #11 – Non-competitive Procurements

**CORPORATE SERVICES
PROCUREMENT SECTION**

ESTIMATED PROCUREMENT VALUE (\$, Canadian Funds, exclusive of applicable taxes)	APPROVAL AUTHORITY POLICY #2	PROCUREMENT PROCESS POLICY
\$100,000 - \$249,999	General Manager and City Manager or Authorized Delegates unless any of the conditions in subsection (3) of this Policy #2 apply, then Council approval is required. For linear construction Contracts issued in conjunction with the Public Works Department, the General Manager of Public Works or Authorized Delegate unless any of the conditions in subsection (3) of this Policy #2 apply, then Council approval is required.	Policy #5.3 – Request for Tenders Policy #5.4 – Request for Proposals Policy #11 – Non-competitive Procurements
\$250,000 or greater	Council – previously approved budget for the procurement. For linear construction Contracts issued in conjunction with the Public Works Department, the General Manager of Public Works or Authorized Delegate unless any of the conditions in subsection (3) of this Policy #2 apply, then Council approval is required. For all other Contracts, the General Manager and City Manager or Authorized Delegates unless any of the conditions in subsection(3) of this Policy #2 apply, then Council approval is required.	Policy #5.3 – Request for Tenders Policy #5.4 – Request for Proposals Policy #11 – Non-competitive Procurements (single source)

- (3) The Client Department in conjunction with the Procurement Section shall submit a report to Council and the appropriate standing committee recommending award of a RFT or RFP if **ANY** of the following conditions apply:

**CORPORATE SERVICES
PROCUREMENT SECTION**

- (a) the value of the Bid being recommended for award and any contingency allowance are in excess of the Council approved budget including any contingency allowance, or
 - (b) for capital projects, when the final cost of the proposed project exceeds the amount provided in the Council approved capital budget for that project by more than 10 percent or \$250,000, whichever is less, or
 - (c) for RFTs, the award is not being made for the Lowest Compliant Bid, or
 - (d) for RFPs, the award is not being made in accordance with evaluation methodology set out in the RFP, or
 - (e) where in the opinion of the City Manager, the Client Department's award recommendation is not in the best interest of the City, or
 - (f) there are Provincial or Federal government requirements for Council approval.
- (4) Council may delegate further Approval Authority as it considers necessary from time to time, including but not limited to, any extended time periods during which Council does not meet.
- (5) The City's Director of Financial Services shall prepare a monthly status report to Council on any procurement of a value in excess of \$100,000, which shall identify those procurements:
- (a) which have been issued, but not yet closed,
 - (b) which have closed and are under review, and
 - (c) which have been awarded or cancelled,
- since the previous monthly status report.
- (6) The issuance and approval of award of a Revenue Generating Contract of any value requires the approval of the General Manager of the Client Department. It will be at the discretion of the General Manager of the Client Department whether to also seek Council approval on the issuance and/or approval of award of a Revenue Generating Contract.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 3 - Specifications

SECTION 4.3

- (1) The preparation of the Specifications for Request for Quotations, Request for Proposals or Request for Tenders shall be the responsibility of the Client Department. Specifications shall be approved by the Client Department Authorized Delegate and shall be forwarded directly to the Procurement Section with approval attached.
- (2) The Procurement Section shall have the authority to review and recommend improvements to the Specifications when deemed necessary. The Client Department shall cooperate with the Procurement Section in the finalization of the Specifications. Should the Procurement Section and the Client Department not be able to reach agreement on Specifications within the allotted timeline, the General Managers of the Client Department and the Corporate Services Department will attempt to resolve the matter.
- (3) The City may issue a Request for Information (RFI). A RFI can be used to determine if there is sufficient vendor interest to justify proceeding with a competitive procurement process and/or to gain additional information on the Good and/or Service from the vendor community. The RFI would request detailed information such as, but not limited to, the background of the vendor and its key personnel, relevant experience, and what the vendor can offer the City. Any resulting competitive procurement process will be issued in accordance with Policy #5 – Determining the Procurement Process.
- (4) The following requirements shall be followed in the preparation of the Specifications:
 - (a) Specifications are to be detailed but not brand specific, unless standardized in accordance with Policy #14 – Standardization to maintain a competitive procurement process.
 - (b) Where the Specification requirements of the Client Department will result in a single source purchase, the Client Department shall follow Policy #11 – Non-competitive Procurements.
 - (c) Where the Specifications relate to matters that are addressed under the Corporate Energy Policy, they shall be approved by the City's Manager of Energy Initiatives to ensure that they meet the requirements of said policy.
 - (d) Vendors or potential vendors shall not be requested to expend time, money or effort on design or in developing Specifications or otherwise to help define a requirement beyond the normal level of service expected from vendors. Where such services are required,
 - (i) the Procurement Manager must be advised;
 - (ii) the contracted vendor will be considered a consultant and will not be allowed to make an offer of the supply of the Goods and/or Services;

**CORPORATE SERVICES
PROCUREMENT SECTION**

- (iii) a fee shall be paid, the amount of which shall be determined and agreed upon by the vendor before the services commence; and
 - (iv) the detailed Specifications shall become the property of the City, and can be used in obtaining Bids.
- (e) Notwithstanding any assistance in the preparation of the Specifications by a consultant, the Specifications shall be and remain the property of the City.
- (f) Where it is not possible to prepare precise Specifications to issue a Request for Tenders, a Request for Proposals shall be issued. The Client Department, in cooperation with the Procurement Section, shall prepare evaluation criteria and weightings for the criteria. The RFP shall clearly distinguish those requirements that are deemed mandatory and non-mandatory and shall clearly outline how these items will be evaluated.
- (g) When preparing the Specifications, the Client Department shall be knowledgeable of the Ontarians with Disabilities Act, 2001, the Accessibility for Ontarians with Disabilities Act, 2005 and their regulations thereunder, as amended, re-enacted or replaced from time to time, and the City's Barrier Free Design Guidelines 2006 or the most recent version and apply those requirements with respect to procuring Goods and/or Services and in the development of the Specifications.
- (h) When preparing the Specifications, the Client Department shall consider the amount of packaging that would be associated with the procurement of a Good. If the required level of packaging is felt to be too excessive, then the Specifications for those Goods will require the vendor to be responsible for and bear the cost for the removal and disposal of the packaging materials.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 4 - Pre-Qualification of Vendors

SECTION 4.4

- (1) The purpose for pre-qualification of vendors is to ensure that each vendor intending to submit a Bid can demonstrate its ability to provide the necessary expertise and resources to satisfactorily complete the work required.
- (2) Pre-qualification of vendors will only be considered in the following circumstances:
 - (a) the work will require substantial project management by the City if the vendor is not appropriately experienced and could result in a substantial cost to the City;
 - (b) the Goods and/or Services to be purchased must meet national safety standards;
 - (c) the work involves complex, multi-disciplinary activities, specialized expertise, equipment, materials, or financial requirements;
 - (d) there could be a substantial impact on City operations if the work is not satisfactorily performed the first time;
 - (e) where time requirements necessitate efficient use of time and expertise;
 - (f) any other circumstances deemed appropriate by the Procurement Manager.
- (3) Pre-qualification requires vendors to provide such information as, but not limited to:
 - (a) experience on similar work (firm and staff assigned);
 - (b) references provided from other customers for similar work;
 - (c) verification of applicable licences and certificates;
 - (d) health and safety policies and staff training; and
 - (e) financial capability.
- (4) Vendor submissions will be evaluated and ranked, and a list of pre-qualified vendors will be established.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 5 - Determining the Procurement Process

SECTION 4.5

- (1) Sales taxes, excise taxes, value added taxes, duties and shipping shall be excluded in determining the procurement limit of Authorized Delegates and the type of procurement process to be followed.
- (2) The dollar values identified in Policies #5.1 through to #5.4 represent the annual estimated procurement value for a Good and/or Service to be procured. The annual estimated procurement value is the cumulative value of a particular Good and/or Service in one calendar year. For multi-year Contracts, the estimated total procurement value over the term of the Contract shall be used as the basis for determining which procurement process applies.
- (3) It should be the intent of the Client Department to procure Goods and/or Services of like nature as a combined effort.
- (4) Where Provincial and/or Federal Governments impose unique requirements in order to qualify for funding, the City's procurement documents will be amended to include those provisions.
- (5) Where there is an incumbent vendor on a corporate City Contract which is of a highly sensitive nature due to the risk associated with financial loss, confidentiality or the handling of sensitive information, a report shall be forwarded to the applicable standing committee of Council and Council to seek direction on the type of procurement process to be followed for the acquisition of the Good and/or Service.
- (6) Where the estimated gross revenue for a Revenue Generating Contract is \$5,000 or greater, the Revenue Generating Contract shall follow the RFP or RFT process through Centralized Procurement.

Service Revenue Contracts of any value shall be exempt from the public procurement processes outlined in the Procurement Policy, save and except Policy #2 – Approval Authority and Policy #13 – Authority to Execute Contracts. Mixed Revenue Contracts are not exempt.

In the event that a Revenue Generating Contract falls under more than one City Policy, both Policies must be adhered to unless that Contract and/or the other City Policy is specifically exempted from the Procurement Policy.

**CORPORATE SERVICES
PROCUREMENT SECTION**

**POLICY # 5.1 - Low Dollar Value Procurements
(up to but not including \$5,000)**

SECTION 4.5.1

- (1) All Low Dollar Value Procurements shall utilize all applicable City Contracts and shall otherwise be in accordance with the Procurement Policy.
- (2) The General Managers may delegate Approval Authority to their staff for Low Dollar Value Procurements. This procurement function has been de-centralized and therefore, it is the responsibility of the respective General Manager to ensure that the Procurement Policy is adhered to.
- (3) Neither a RFQ, RFP nor RFT is required for Low Dollar Value Procurements.

**CORPORATE SERVICES
PROCUREMENT SECTION**

**POLICY # 5.2 - Request for Quotations
(\$5,000 – up to but not including \$50,000)**

SECTION 4.5.2

- (1) All Request for Quotations shall utilize all applicable City Contracts and shall otherwise be in accordance with the Procurement Policy.
- (2) For procurements where there are no applicable City Contracts, a Request for Quotations process is used by the Client Department in the following manner:
 - (a) a minimum of three compliant Bids shall be obtained by any method of written communication unless otherwise approved by the Procurement Section;
 - (b) in seeking the vendors for Request for Quotations, staff shall also use the electronic vendor database;
 - (c) Bids must be received from a minimum of three separate vendors;
 - (d) a "No Bid" response shall not be considered a valid Bid;
 - (e) all vendors shall receive the same Request for Quotations written information;
 - (f) the Request for Quotations shall be awarded to the Lowest Compliant Bid; and
 - (g) all written Bids shall be retained in the Client Department files in accordance with City By-law No. 11-040 (To Establish Retention Periods for Records of the City of Hamilton), as amended, re-enacted or replaced from time to time.

The Procurement Manager may waive the requirement for three Bids, but will only do so where the Client Department has demonstrated to the satisfaction of the Procurement Manager that a minimum of three Bids cannot be obtained.

- (3) Staff are encouraged to seek more than the minimum three written Bids to ensure a more competitive process and to utilize any Request for Quotations template provided by the Procurement Section.
- (4) In the event that two or more identical Bids are received and are the Lowest Compliant Bids, best and final offers will be solicited from each of these vendors in order to break the tie. If this effort is unsuccessful, then a draw will be held to determine the successful vendor.
- (5) The Procurement Section shall assist when requested by the Client Department, or when deemed necessary, with the Request for Quotations process.
- (6) An authorized online Purchase Requisition shall be utilized to initiate a Purchase Order and/or formal Contract process.
- (7) When a Client Department would like to issue a RFP in lieu of a Request for Quotations, the RFP shall be issued by Centralized Procurement in the same manner as for Requests for Proposals in Policy #5.4 of the Procurement Policy.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 5.3 - Request for Tenders (\$50,000 and greater)

SECTION 4.5.3

- (1) Client Departments shall utilize all applicable City Contracts and shall otherwise be in accordance with the Procurement Policy.
- (2) For procurements where there are no applicable City Contracts,
 - (a) the Request for Tenders process is to be used for Goods and/or Services with an estimated procurement value of \$50,000 or greater and where comprehensive technical Specifications can be developed;
 - (b) the Request for Tenders process shall be carried out by Centralized Procurement;
 - (c) all Requests for Tenders shall be issued and awarded in accordance with the tendering procedures as determined by the City's Director of Financial Services;
 - (d) the Request for Tenders shall be awarded based on the Lowest Compliant Bid. In the event that two or more identical Bids are received and are the Lowest Compliant Bids, best and final offers will be solicited from each of these vendors in order to break the tie. If this effort is unsuccessful, then a draw will be held to determine the successful vendor.
- (3) When no compliant Bids are received in response to a Request for Tenders, and
 - (a) where time permits in the opinion of the General Manager of the Client Department, the Request for Tenders shall be re-issued with the appropriate revisions; or
 - (b) where only one Bid has been received, the Procurement Manager in conjunction with the Client Department may proceed to negotiate the changes required to achieve an acceptable Bid, provided that such changes will not alter the general nature of the procurement described in the Request for Tenders; or
 - (c) where time does not permit the re-issuance of the Request for Tenders in the opinion of the General Manager of the Client Department, and the Request for Tenders is not otherwise being revised, all vendors who secured the Request for Tenders shall be given the opportunity to submit a new Bid. The Procurement Section will communicate to each vendor who previously submitted a Bid, any deficiencies that resulted in its Bid being deemed non-compliant. This process may utilize a post-closing addendum; or
 - (d) where time does not permit the re-issuance of the Request for Tenders, and the Request for Tenders is being revised to correct an inaccuracy, all vendors who secured the Request for Tenders, shall be given the opportunity to submit a new Bid. The Procurement Section will communicate to each vendor who previously submitted a Bid, any deficiencies that resulted in its Bid being deemed non-compliant. This process may

**CORPORATE SERVICES
PROCUREMENT SECTION**

utilize a post-closing addendum. The General Manager of the Client Department shall approve this process prior to implementation.

- (4) Where one or more Bids have been received and are in excess of budgeted funds, the General Manager of the Client Department in consultation with the Procurement Manager may enter into negotiations with the vendor submitting the Lowest Compliant Bid, where it is agreed that the changes required to achieve an acceptable Bid will not change the general nature of the requirement described in the RFT.
- (5) The Goods and/or Services shall be procured through a Purchase Order and/or Contract process. Where a formal Contract is necessary, such Contract shall be in a form satisfactory to the City Solicitor.
- (6) Where a Time-Sensitive situation occurs, the Procurement Manager may authorize the Client Department to utilize the Policy #5.2 - Request for Quotations in lieu of the Request for Tenders process.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 5.4 - Request for Proposals (\$5,000 and greater)

SECTION 4.5.4

- (1) The Client Departments shall utilize all applicable City Contracts and shall otherwise be in accordance with the Procurement Policy.
- (2) For procurements where there are no applicable City Contracts,
 - (a) the Request for Proposals process is to be used for Goods and/or Services with an estimated procurement value of \$5,000 or greater and where comprehensive technical Specifications cannot be fully defined or specified, or when alternate methods are being sought to perform a certain function or service, at the time of the request;
 - (b) the Request for Proposals process must be implemented through Centralized Procurement;
 - (c) the Request for Proposals shall be issued and awarded in accordance with the RFP procedures as determined by the City's Director of Financial Services;
 - (d) the Request for Proposals shall clearly set out the evaluation criteria and weightings upon which an award of the Request for Proposals may be made. The evaluation methodologies that may be employed, unless specific Council approval is obtained for a particular procurement, are:
 - (i) **FIXED PRICE.** The City establishes a fixed dollar value for the award, and the Bids consist of only a technical Bid for that fixed dollar value. The City evaluates the technical Bids received against the evaluation criteria and weightings set out in the RFP. The award shall be made to the highest scoring vendor; or
 - (ii) **PRICE PER POINT.** The evaluation of the RFP will utilize a two step evaluation process. The City evaluates the technical Bids received against the evaluation criteria and weightings set out in the RFP. For those technical Bids that successfully meet the benchmark score stipulated in RFP, the City will open the price Bid received. The City will then calculate the price per point for each Bid meeting the technical benchmark score and the award will be made to the vendor with the lowest price per point; or
 - (iii) **COMBINATION OF TECHNICAL AND PRICE SCORES.** The RFP will utilize a two step evaluation process. The City evaluates the technical Bids received against the evaluation criteria and weightings set out in the RFP. For those technical Bids that successfully meet the benchmark score stipulated in RFP, the City will open the price Bid received and score the price based on a predetermined calculation set out in the RFP. The price weighting must be a

Procurement Policy for the City of Hamilton

**CORPORATE SERVICES
PROCUREMENT SECTION**

minimum of 25 percent of the technical weighting. Only the General Manager of the Client Department may approve a price weighting of less than 25 percent of the technical weighting. A total evaluation score will be determined by adding the technical score and the price score. The award shall be made to the highest scoring vendor; or

- (iv) **LOWEST PRICED BID MEETING TECHNICAL BENCHMARK SCORE.** The RFP will utilize a two step evaluation process. The City evaluates the technical Bids received against the evaluation criteria and weightings set out in the RFP. For those technical Bids that successfully meet the benchmark score stipulated in RFP, the City will open the price Bid received. The award shall be made to the vendor who has successfully met the technical benchmark score and has the lowest priced Bid.
- (3) the Procurement Section will facilitate the RFP evaluation process. An evaluation committee will be formed with a minimum of three evaluators and be comprised of at least one representative from the Client Department. The evaluators shall review all compliant Bids against the established criteria, reach consensus on the final rating results, and ensure that the final rating results with supporting documents are kept in the procurement file. The Procurement Section representative shall not participate in the scoring of the Bid;
- (4) all Bids that meet the required terms, conditions and Specifications outlined in the Request for Proposals document shall be evaluated based on the evaluation criteria and weightings, subject to any rights or privileges reserved by the City;
- (5) any award shall be made in accordance with the evaluation criteria and weightings contained in the Request for Proposals document, subject to any rights or privileges reserved by the City or as otherwise approved by Council; and
- (6) the Goods and/or Services shall be procured through a Purchase Order and/or Contract process. Where a formal Contract is necessary, such Contract shall be in a form satisfactory to the City Solicitor.
- (7) When no compliant Bids are received in response to a Request for Proposals, and
- (a) where time permits in the opinion of the General Manager of the Client Department, the Request for Proposals shall be re-issued with the appropriate revisions; or
- (b) only one Bid has been received or has successfully passed the technical proposal requirements, the Procurement Manager in conjunction with the Client Department may proceed to negotiate the changes required to achieve an acceptable Bid, provided that such changes will not alter the general nature of the requirement described in the Request for Proposals; or
- (c) where time does not permit the re-issuance of the Request for Proposals in the opinion

Procurement Policy for the City of Hamilton

**CORPORATE SERVICES
PROCUREMENT SECTION**

of the General Manager of the Client Department, the Request for Proposals is not otherwise being revised, and the non-compliance is associated with the pricing portion of the two step evaluation process, all vendors who have successfully passed the technical proposal requirements of the Request for Proposals shall be given the opportunity to submit a new price Bid only. The Procurement Section will communicate to each of these vendors, any Bid deficiencies that resulted in its Bid being deemed non-compliant. This process may utilize a post-closing addendum.

- (8) Where one or more Bids have been received and are in excess of budgeted funds, the General Manager of the Client Department in consultation with the Procurement Manager may enter into negotiations with the vendor submitting being recommended for award, where it is agreed that the changes required to achieve an acceptable Bid will not change the general nature of the requirement described in the RFP.
- (9) The Goods and/or Services shall be procured through a Purchase Order and/or Contract process. Where a formal Contract is necessary, such Contract shall be in a form satisfactory to the City Solicitor.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 6 - Unsolicited Proposals

SECTION 4.6

- (1) No award of a Contract may be made for an unsolicited proposal.
- (2) If it is determined that there is a legitimate need for the Goods and/or Services offered by way of an unsolicited proposal, then an acquisition process shall be conducted in accordance with the Procurement Policy.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 7 - Construction Contracts

SECTION 4.7

- (1) Where the procurement of Goods and/or Services involves construction, such construction Contracts must also meet the requirements of the Procurement Policy. However, construction Contracts of \$100,000 or greater also require both a Purchase Order and a written legal agreement, in a form satisfactory to the City Solicitor.
- (2) The City's Fair Wage Policy and Fair Wage Schedule shall be applied to all construction Contracts of \$100,000 or greater. The Fair Wage Policy and Fair Wage Schedule can be accessed on the City of Hamilton website under the Procurement Section.
- (3) Request for Tenders for linear construction Contracts and related works may be issued in conjunction with the City's Public Works Department.
- (4) Where in the opinion of the General Manager of the Client Department or Designate, Expanded Works are required for an approved construction Contract, the General Manager of the Client Department or Designate shall authorize the payment for such work and approve any required purchase acquisition document.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 8 - Vendor Performance Evaluation

SECTION 4.8

- (1) At the completion of every Contract for Goods and/or Services of \$50,000 or greater, the Client Department shall complete a *Vendor Performance Evaluation Form*. The General Manager of the Client Department shall ensure this performance evaluation is completed for these Contracts. Such evaluation shall be completed and a copy will be forwarded to the Procurement Section.
- (2) In the event of poor performance or non-performance of a vendor at any time during the term of any City Contract, the General Manager or Designate of the Client Department shall complete and forward a copy of the *Vendor Performance – Incident Reporting Form* as soon as reasonably possible after the occurrence.
- (3) Documented poor performance or non-performance on any City Contract will be used to determine the eligibility of a vendor to continue to provide Goods and/or Services to the City on a current Contract and to determine their ability to participate on future City Contracts. Any vendor may be excluded from a bidding process due to documented poor or non-performance, where in the opinion of the City, the commercial relationship between the City and such vendor has been detrimentally affected.
- (4) The City's Public Works Department shall be responsible for the vendor performance evaluation process with respect to linear construction Contracts issued by that department under Policy #7 – Construction Contracts in a format which includes feedback from area residents and elected officials.
- (5) In the event of a vendor's breach of a multi-year City Contract, the Procurement Manager in consultation with the Client Department shall have the discretion to either:
 - (a) re-issue the RFT or RFP; or
 - (b) negotiate and enter into a new Contract for the remaining years of the Contract with the second lowest bidder of the original RFT or RFP,

whichever is in the best interests of the City.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 9 - Consulting and Professional Services

SECTION 4.9

- (1) Unless otherwise provided, Consulting and Professional Services shall be acquired in accordance with the Procurement Policy.
- (2) A Consulting and Professional Services Roster will be established every two years through a formal Request for Rostered Candidates process. Work assignments presented to vendors on an approved list (rostered candidates) will be distributed on a rotational basis as well as a "best fit" basis and having an estimated procurement cost of less than \$100,000. The General Manager or Designate of the Client Department shall award such works by direct appointment through the applicable roster captain. The applicable roster captain shall ensure that there is a reasonably equitable distribution of the works, based on the total dollar value of the work. This method allows the City to employ a number of different consultants while matching the particular talents of a consultant to the project needs.
 - (a) The General Manager of the Client Departments and the Procurement Manager, or their Designates, shall approve the appointment of rostered candidates and any acceptable subsequent change in any rostered candidate in accordance with the RFRC document.
 - (b) The General Managers of the Client Departments shall be responsible to prepare a joint annual information report to Council on all assignments awarded including consultants used and a breakdown of the total cost utilized by each roster category.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 10 –Emergency Procurements

SECTION 4.10

- (1) Where in the opinion of the General Manager of the Client Department or Designate, an Emergency exists, Goods and/or Services shall be acquired by the most expedient and economical means. The Procurement Section will provide cooperative assistance when requested to expedite any procurement documents necessary to deal with the Emergency. The General Manager of the Client Department shall provide the reasons for his or her opinion that an Emergency exists and shall approve any purchase acquisition document issued under such conditions. For amounts exceeding \$250,000, the General Manager shall issue an information update to the City Manager and to Council.
- (2) Subsequent to the resolution of the Emergency, all transactions require a Purchase Requisition to be entered to complete the procurement process. The Client Department shall complete the *Non-competitive Procurement / Emergency Reporting Form* and forward it to the Procurement Manager for informational purposes.

**CORPORATE SERVICES
 PROCUREMENT SECTION**

POLICY # 11 - Non-competitive Procurements

SECTION 4.11

- (1) Subject to Policy # 2 - Approval Authority, the General Manager of the Client Department or Designate, in consultation with the Procurement Manager, will approve the *Negotiation Policy Authorization Form*, justifying the need to use this Policy #11 prior to City staff entering into any discussions with any vendor. This process may be adopted when any of the following conditions apply:
 - (a) when Goods and/or Services are judged to be in short supply due to market conditions (short supply);
 - (b) where there is only one source of supply of particular Goods and/or Services in the open market (sole source);
 - (c) when a single source for the supply of a particular Good and/or Service is being recommended because it is more cost effective or beneficial for the City (single source);
 - (d) where a City Contract has expired or will very shortly expire and unforeseeable circumstances have caused a delay in issuing a new RFP or RFT so that a Contract extension is required (contract extension).
- (2) Council must approve any requests for negotiations with a single source as set out in subsection (1)(c) of this Policy #11, where the value of the proposed procurement is \$250,000 or greater.
- (3) All approved forms shall be forwarded to the Procurement Manager. The Procurement Manager will be responsible for reporting the use to Council on a quarterly basis.

ESTIMATED PROCUREMENT VALUE (\$, Canadian)	APPROVAL TO INITIATE POLICY #11 PROCESS	APPROVAL TO ENTER INTO CONTRACT
\$5,000 or greater	General Manager or Designate, in consultation with Procurement Manager	Policy #2 – Approval Authority
\$250,000 or greater for single source type purchases	Council	Council as per Policy #2 – Approval Authority

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 12 - Cooperative Procurements

SECTION 4.12

- (1) The City may participate with other government agencies or public authorities in cooperative acquisition ventures for Goods and/or Services when it is in the best interest of the City to do so. Such Cooperative Procurements shall require the prior written approval of the Procurement Manager.
- (2) The procurement procedures and policies of the government agency or public authority initiating the procurement process will be followed.
- (3) The City and each government agency or public authority will issue its own purchase order or contract for their respective Goods and/or Services in all cases of Cooperative Procurement.
- (4) In the absence of an applicable City Contract and with the approval of the Procurement Manager, the Client Department may purchase from another government agency or public authority's vendor for a particular acquisition. The selection of the vendor by the government agency or public authority must have been made through a competitive procurement process and the resulting contract must permit the City to purchase from that vendor under the same terms and conditions.
- (5) Where the Province of Ontario requires the City to meet a provincial standard for any Goods and/or Services, and has established a "Vendor of Record" arrangement for such Goods and/or Services, the City may use such arrangements in accordance with subsection (4) of this Policy #12.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 13 - Authority to Execute Contracts

SECTION 4.13

- (1) The General Manager of the Client Department and the City Manager, or their respective Designates, shall execute acquisition Contracts and all necessary associated documents on behalf of the City for all RFT and RFP awards approved in accordance with Policy #2 – Approval Authority.
- (2) Where a Contract is required for a procurement which was not initiated by a RFT or RFP, but was otherwise authorized and approved in accordance with Policy #2 – Approval Authority, the person having the applicable Approval Authority for the procurement shall also have the authority to execute the Contract and all necessary associated documents on behalf of the City.
- (3) For all other Contracts that received Council approval, the City officials named in the Council resolution shall execute such Contracts on behalf of the City. Where City officials have not been named in the Council resolution, the Mayor and Clerk shall execute such Contract.
- (4) The person(s) who have executed a Contract on behalf of the City in accordance this Policy #13 shall also have the authority to execute any documents for an assignment or corporate change request related to such Contract.
- (5) All Contracts shall be in a form satisfactory to the City Solicitor and shall contain content which is acceptable to the Client Department.
- (6) All Authorized Delegates will complete the *Notification of Signing Authority Form*, which shall not be effective until approved and executed by the General Manager or City Manager, as the case may be, and forwarded to the City's Financial Services Division for reference.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 14 - Standardization

SECTION 4.14

- (1) No standard shall be established unless approved by Council or by the Standards and Approved Products Committee.
- (2) Despite subsection (1) of this Policy #14, where the estimated annual value of the Good and/or Service is less than \$50,000, the Procurement Manager may approve a standard for such Good and/or Service. In such cases, the approval of the standard will expire on December 31 of the applicable calendar year, unless renewed.
- (3) Where the establishment of a standard will result in a single source purchase, that purchase shall also be approved by the Procurement Manager in accordance with subsection (2) of this Policy #14, by Council or by the Standards and Approved Products Committee.
- (4) The Procurement Manager shall have the authority to negotiate with the original equipment manufacturers and licensed distributors of approved standardized products.
- (5) The Standards and Approved Products Committee shall be responsible to prepare an annual information report to Council outlining the rationale for any Standardization of Goods added to the City's Approved Products Listing, the number of Goods standardized and any standardized Good resulting in a single source purchase.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 15 - Procurement Cards

SECTION 4.15

- (1) City staff shall not use a procurement card to purchase Goods and/or Services unless appointed and authorized by the General Manager or the City Manager to do so. Any use of a procurement card shall be in accordance with the Procurement Policy and all other applicable City by-laws and policies.
- (2) The procurement card will be issued once the employee has read, signed and submitted the *Procurement Card Agreement Form*, to the City's procurement card administrator, which sets out in writing the employee's responsibilities and restrictions regarding the use of the procurement card.
- (3) All procurement cards issued will have a predetermined "single transaction limit", a "monthly credit limit" and "blocked commodities" as determined and authorized by the General Manager. The foregoing limits for procurement cards for General Managers will be determined and authorized by the City Manager. All procurement cards will be blocked from obtaining cash advances.
- (4) The program will be administered by the City's Director of Financial Services or designate, who will maintain a master file of all procurement cards and card limits.
- (5) The procurement card shall not be used:
 - (a) when a City Contract is in effect for the Good and/or Service, unless pre-authorized in writing by the Procurement Manager;
 - (b) for personal purchases of any nature;
 - (c) for computer hardware/software, unless pre-authorized in writing by the Procurement Manager and the City's Director of Information Services;
 - (d) for any long-term lease, license or rental agreement which is deemed material as defined by the City's Lease Financing Policy, being Appendix I to FCS04014 on Corporate Administration Committee Report # 04-005, approved by Council on February 25, 2004, as amended or replaced from time to time;

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 16 - Disposal of Surplus Goods

SECTION 4.16

- (1) A Director of the Client Department shall declare a good as surplus to the needs of the City before the good may be disposed of in accordance with this Policy #16.
- (2) The Procurement Manager, in conjunction with the City's Director of Financial Services, shall have the authority to sell, exchange, or otherwise dispose of goods declared as surplus to the needs of the City, and where it is cost effective and in the best interest of the City to do so, items or groups of items may:
 - (a) be offered for sale to other City departments, other government agencies or public authorities; or
 - (b) be sold by external advertisement, formal request, auction or public sale (where it is deemed appropriate, a reserve price may be established); or
 - (c) be sold or traded to the original supplier or others in that line of business where it is determined that a higher net return will be obtained than following other procedures; or
 - (d) be donated to a non-profit agency; or
 - (e) be recycled; or
 - (f) in the event that all efforts to dispose of the goods by sale are unsuccessful, be scrapped or destroyed if recycling is unavailable.
- (3) No disposition of such good(s) shall be made to employees of the City, members of Council, or their family members unless such good(s) are sold through external advertisement, formal request, auction or public sale and no conflict of interest exists. Prior to any such disposition, the employee shall declare their interest in writing to their General Manager, who will confirm whether any conflict of interest exists. In the case of an elected official, the elected official shall declare their interest in writing to the City Manager. Family members include those defined by the City's Code of Conduct for Employees Policy, Code of Conduct for Members of Council or such other similar policy currently in force.
- (4) The Procurement Manager shall submit an annual report to the General Manager of Finance and Corporate Services summarizing the disposal of all surplus goods pursuant to this Policy #16.
- (5) The value of any declared surplus good cannot be used to offset the value of a procurement when determining the procurement process. For example, any trade-in value or salvage value recoverable from a project cannot be used to offset, reduce or change the value of the procurement for purposes of determining the appropriate procurement process to be followed under the Procurement Policy.
- (6) The disposal of artefacts is exempt from the requirements of the Procurement Policy.

Procurement Policy for the City of Hamilton

Approved By City Council On: XXXXXXXXXX XX, 2011

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 17 - Conflicts of Interest

SECTION 4.17

- (1) Employees of the City shall not have a pecuniary interest, either directly or indirectly, in any City Contract or with any person acting for the City in any Contract for the supply of Goods and/or Services for which the City pays or is liable, directly or indirectly to pay unless such interest has been declared pursuant to the Code of Conduct for Employees Policy, as amended or replaced from time to time, and the employee otherwise complies with such policy.
- (2) In addition to complying with the Code of Conduct for Employees Policy as set out under s 4.17(1), employees of the City are required to declare any pecuniary interest, either direct or indirect, in writing to their General Manager with a copy to the Procurement Manager indicating the specific nature of the conflict.
- (3) Members of Council are required to declare any pecuniary interest direct or indirect, and its general nature, which may result in a conflict of interest pursuant to the Municipal Conflict of Interest Act and the member of Council shall otherwise comply with that Act.
- (4) Any Contract with the City may be voided in which a member of Council or any employee of the City has an undeclared direct or indirect pecuniary interest.
- (5) All City employees and others participating in the development of the Specifications and/or evaluation of any Bid will be required to complete and sign a *Conflict of Interest Form*.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 18 - Vendor Complaint Resolution

SECTION 4.18

- (1) The City of Hamilton encourages the most open, competitive bidding process for the purchase of Goods and/or Services acquired, through the RFQ, RFT and RFP procurement processes and the objective and equitable treatment of all vendors.
- (2) The City, however, recognizes that mistakes and misunderstandings may occur; vendors may feel aggrieved and may seek to dispute the recommendation of an award of a Contract. To maintain the integrity of the process, vendors who believe they have been treated unfairly may take the following steps, prior to the award of the Contract:
 - (a) Request a meeting with the Procurement Manager within five business days after the applicable date set out below has occurred:
 - (i) for RFTs, the date that the vendor was notified by the Procurement Section that the status of each Bid submitted in response to the RFT has been posted on the City's website; and
 - (ii) for RFPs, the date that the vendor was notified by the Procurement Section that the results of the RFP evaluation has been posted on the City's website.

The vendor's request shall be in writing and shall provide a detailed statement of the grounds of the complaint, including copies of relevant documents, and identify the form of relief requested; and

- (b) If no resolution satisfactory to both parties has been achieved, the vendor will have three business days from the date of the meeting with the Procurement Manager to make a formal written request to meet with the General Managers of the Client Department and of Finance and Corporate Services regarding the vendor's complaint. The General Managers will make the final decision regarding the vendor's complaint, which decision may be made orally or in writing. If the General Managers' decision means that the City can proceed with the award of the Contract, then the award may occur at any time after such decision is made.
- (3) Where a vendor has been banned from competing for or being awarded any City Contract for a period of one year in accordance with subsection 4.1(7) of Policy #1- Policy for Vendor Eligibility:
 - (a) the vendor may challenge the one year ban to the appropriate standing committee of Council where there are extenuating circumstances respecting why the initialing was not done within one business day of the City's request; and
 - (b) the appropriate standing committee will provide to Council a recommendation with respect to the vendor's complaint.

Procurement Policy for the City of Hamilton

Approved By City Council On: XXXXXXXXXX XX, 2011

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 19 – Non-compliance with the Procurement Policy

SECTION 4.19

- (1) Subject to Policy #2 - Approval Authority, the General Manager of the Client Department in consultation with the Procurement Manager will authorize the use of a *Procurement Policy Non-Compliance Form* which outlines the circumstances behind the non-compliance issue. This process is to be used when there is a violation of the Procurement Policy consisting of one or more of the following:
- a) the contracting of a vendor to provide Goods and/or Services, not in accordance with the requirements of the Procurement Policy;
 - b) the receipt of an invoice by the City from a vendor, for Goods and/or Services previously acquired outside the procurement process required under the Procurement Policy;
 - c) where it can be proven that the actions of an employee, or employee group results in the requirement to initiate a procurement process pursuant to Policy #10 – Emergency Procurements or Policy #11 – Non-competitive Procurements;
 - d) any and all other violations of the Procurement Policy
- (2) Notwithstanding subsection (1) of this Policy #19, an employee who fails to act in accordance with the provisions of the Procurement Policy, will be subject to appropriate disciplinary action up to and including termination of employment.

The General Manager of the Client Department will review such violations (through the *Procurement Policy Non-Compliance Form*) and may consult with Human Resources for consideration of any disciplinary action to be taken as appropriate.

- (3) The Procurement Manager will be responsible for reporting the use of all *Procurement Policy Non-Compliance Forms* to Council on a quarterly basis.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 20 – Review of the Procurement Policy

SECTION 4.20

- (1) The Procurement Manager shall submit to the appropriate standing committee of Council an annual report recommending any changes to the Procurement Policy to meet the needs and requirements of the City to operate in an efficient and cost effective manner and in accordance with all applicable laws.
- (2) All changes to the Procurement Policy require the approval of Council.
- (3) Changes to Procurement Procedures and Guidelines require the approval of the City's Director of Financial Services
- (4) On a periodic basis the City's Internal Auditor will review the Procurement Policy to assess its effectiveness.

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 21 – Anti-Sweatshop Procurement

SECTION 4.21

- (1) The City of Hamilton does not encourage the use of consumer goods or products manufactured, assembled or produced in factories where persons and, in particular, children are used as slave or forced labour or in other exploitive manners which restricts the person's freedom or impedes the child's development. The City will consider the supply of consumer goods or products manufactured under such exploitive manners as a negative practice of the vendor.
- (2) The City will not knowingly accept consumer goods or products manufactured, assembled or produced in a Sweatshop or under Sweatshop Conditions.
- (3) The determination of compliance with this Policy #21 shall be in the absolute discretion of the Procurement Manager. The Procurement Manager may, but is not obligated to, request further information and documentation from the vendor to confirm compliance; and may base his or her determination on information provided by Canadian or international certification or compliance agencies or groups, workers or labour unions or organizations, manufacturers, consumer groups, international organizations, ILO or United Nations sources and other parties.
- (4) If any consumer goods or products supplied under a RFQ/RFP/RFT are determined by the Procurement Manager to be manufactured, assembled or produced in contravention to this Policy #21 and/or the certificate required hereunder, the City reserves the right, at its absolute discretion, to:
 - (a) return all the goods to the vendor and require the vendor to replace, within 30 days from the date of notification by the City, the non-compliant goods or products with goods or products, of at least equal value, complying with this Policy #21 and all other requirements and specifications of the RFQ/RFP/RFT, all at no cost to the City; or
 - (b) require the vendor, within 30 days from the date of notification by the City, to provide the City with conclusive evidence that the consumer goods or products have not been manufactured, assembled or produced in contravention of this Policy #21, failing which the City may terminate the Contract without any compensation and without notice to the vendor.
- (5) If the City terminates a Contract with a vendor as a result of a breach of this Policy #21, the City shall cease to be liable to the vendor or to any other person for any unpaid amounts that would otherwise have been payable under the terms of the Contract and shall not be under any obligation to return to the vendor any product supplied by the vendor under the Contract.

**CORPORATE SERVICES
PROCUREMENT SECTION**

(6) Child Labour Produced Goods Unacceptable

The City fully subscribes to the United Nations Convention on the Rights of the Child and, in particular, Article 32 of the Convention that requires that a Child shall be protected from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the Child's health or physical, mental, spiritual, moral or social development. The City reserves the right to terminate any Contract unconditionally and without liability or compensation whatsoever to the City in the event that consumer goods received from a vendor are discovered to have been manufactured, produced or assembled in a Sweatshop or in non-compliance with the national labour laws and regulations with respect to child employment and/or non-compliance with the United Nations Convention on the Rights of the Child.

(7) A vendor shall certify the following on the Form of Quotation/Form of Proposal/Form of Tender to be included in an RFQ/RFP/RFT, as the case may be:

"We hereby represent and certify the foregoing:

- (a) all goods or products supplied under this RFQ/RFT/RFP have not been manufactured, assembled or produced, either wholly or in part, in a Sweatshop, as defined in the City of Hamilton's Procurement Policy or by child labour;
- (b) that any goods or products found to be supplied in contravention of the City's Anti-Sweatshop Policy will be returned to us, at our cost and at no cost whatsoever to the City, and that the City has the option to have the goods or products replaced by us with product of at least equal value, meeting specifications of the RFQ/RFT/RFP, or the City may terminate the Contract without any compensation whatsoever to us.

We hereby acknowledge that the City has been induced to consider this RFQ/RFT/RFP on the basis of this representation and certification.

We further acknowledge that the City shall have the right to reject our Quotation, Bid, or Proposal, terminate any Contract made, and collect any of its losses or damages arising out of our breach of the City of Hamilton's Procurement Policy."

**CORPORATE SERVICES
PROCUREMENT SECTION**

POLICY # 22 – In-House Bid Submissions

SECTION 4.22

- (1) In-house Bid submissions will be considered when contemplating a transfer of services from internal services to external services or vice versa.
- (2) The General Manager of the Client Department submitting an in-house Bid shall obtain Council approval prior to submitting such a Bid. The Client Department's report to Council seeking such approval shall include as a minimum:
 - (a) the members of the in-house Bid submission team;
 - (b) which costs will be included in the Bid and how costs will be determined; and
 - (c) the rationale for submitting an in-house Bid.
- (3) The RFP or RFT documents to be utilized, as applicable, shall clearly indicate:
 - (a) an in-house Bid is being considered for the RFP/RFT; and
 - (b) any advantages that the in-house Bid will have over other bidders by virtue of it being an in-house Bid.
- (4) The integrity of the evaluation process will be maintained when evaluating an in-house Bid as follows:
 - (a) no member of the in-house Bid submission team nor any employee whose employment is affected by the transfer of services shall have any communications with a member of the evaluation team or an elected official concerning the subject RFP or RFT, as the case may be, except in accordance with the communication and any interview provisions contained in the applicable RFP/RFT;
 - (b) no member of the evaluation team or an elected official shall have any communications with a member of the in-house Bid submission team nor any employee whose employment is affected by the transfer of services, except in accordance with the communication and any interview provisions contained in the applicable RFP/RFT;
 - (c) no member of the in-house Bid submission team nor any employee whose employment is affected by the transfer of services shall participate in the development of the subject RFP/RFT nor shall such persons have any communications with any person participating in the development of the subject RFP/RFT;
 - (d) the same rules shall govern the submission of the in-house Bid as will apply to any other bidder, unless expressly provided otherwise in the RFP/RFT document; and
 - (e) the evaluation of Bids shall be objective and the process shall avoid any unfair bias towards either the in-house or external Bids.

**CORPORATE SERVICES
PROCUREMENT SECTION**

**POLICY # 23 – Participation of Elected City Officials in the
Procurement Process**

SECTION 4.23

- (1) Elected City officials may participate in the procurement process in the narrowly defined circumstances described in this Policy #23 for those specific procurement projects identified by Council.
- (2) Elected City officials may participate as members of a steering committee for significant procurement projects identified by Council.

When Council identifies a significant procurement project for which elected City officials are to participate as members of a steering committee, Council will also address the following issues:

- (a) the extent of the elected City officials' involvement in the procurement process to ensure that they are able to provide input prior to the issuance of the procurement documents and to oversee the procurement process, but not function in a decision-making capacity;
 - (b) the selection of elected City officials who are able to comply with Policy # 17 - Conflicts of Interest and who do not otherwise have a perceived or actual conflict of interest that would impair their ability to be impartial; and
 - (c) the number of elected City officials to participate.
- (3) Elected City officials may not participate in the procurement process where they are required to be in an evaluation capacity. Their involvement in the approval capacity of the procurement process is limited to what is stipulated in Policy # 2 - Approval Authority.

**CORPORATE SERVICES
PROCUREMENT SECTION**

SCHEDULE A – Statement of Ethics for Public Procurement

The following ethical principles should govern the conduct of every City employee delegated with the authority to procure.

- Believes in the dignity and worth of the service rendered by the organization, and the societal responsibilities assumed as a trusted public servant.
- Is governed by the highest ideals on honour and integrity in all public and personal relationships in order to merit the respect and inspire the confidence of the organization and the public being served.
- Believes that personal aggrandizement or personal profit obtained through misuse of public or personal relationships is dishonest and not tolerable.
- Keeps the governmental organization informed, through appropriate channels, on problems and progress of applicable operations by emphasizing the importance of the facts.

Responsibility to the City:

- Follow the lawful instructions or laws of the employer.
- Understand the authority granted by the employer.
- Avoid activities which would compromise or give the perception of compromising the best interest of the employer.
- Reduce the potential for any chances of preferential treatment by actively promoting the concept of competition.
- Obtain the maximum benefit for funds spent as agents for the City.

Relationship with vendors:

- Maintain and practice, to the highest degree possible, business ethics, professional courtesy and competence in all transactions.
- Purchase without prejudice, striving to obtain the maximum value for each dollar of expenditure.
- Preclude from showing favouritism or be influenced by vendors through the acceptance of gifts, gratuities, loans or favours.
- Adhere to and protect the suppliers business and legal rights to confidentiality for trade secrets, and other proprietary information.

Relationship with the City:

- Remain free of any and all interests and activities, which are or could be detrimental or in conflict with the best interests of the employer.
- Refrain from engaging in activities where a City employee has a significant personal or indirect financial interest.
- Exercise discretionary authority on behalf of the employer.
- Avoid acquiring interest or incurring obligations that could conflict with the interests of the City.

Procurement Policy for the City of Hamilton

**CORPORATE SERVICES
PROCUREMENT SECTION**

SCHEDULE B – Exemptions

Items listed below are exempt from the requirements of the Procurement Policy, save and except for Policy #2 - Approval Authority.

A Purchase Order is to be issued for those procurements made under this Schedule B wherever possible.

(1) Employer's General Expenses

- (a) Insurance premiums.
- (b) Debt payments.
- (c) Grants, loans and levies.
- (d) Licenses (for example, vehicle, elevators, radios).
- (e) Real property payments including land, buildings, leasehold interests, easements, encroachments and licenses, or the like.
- (f) Insurance claims, legal settlements and grievance settlements. This exemption does not apply to the procurement for Goods to be replaced.
- (g) Adjusting services for the investigation of liability and property claims.
- (h) Binding orders, judgments or decisions of an arbitrator, tribunal or court. Given that these payments are mandatory, approval from the General Manager of the department which is funding the payment is required instead of the approvals set out in Policy #2 – Approval Authority.
- (i) Refundable travel expenses.
- (j) Temporary staffing agencies and services.
- (k) Assessments and tools where positions and/or individuals are assessed for recruitment and selection purposes, including tools and assessments which would assist in the accommodation of individuals.
- (l) Payments required by Council approved compassionate programs.
- (m) Other employee related expenses, such as: memberships in professional organizations, staff attendance at seminars, workshops, courses, trade shows or conferences. This shall not include any training specifically designed for the City.

(2) Professional Services

- (a) Medical Professional Services.
- (b) Experts retained for the purposes of litigation.
- (c) Confidential Items (for example Forensic Audits).
- (d) Outside Legal Counsel on an individual file basis; however where the City Solicitor or the Director of Employee & Labour Relations proposes to provide multiple files in an area of law to select outside legal counsel for a defined period of time, a competitive procurement process is to be followed in accordance with the provisions of the Procurement Policy.
An annual report shall be issued to Council by the City Solicitor and the Director of Employee & Labour Relations detailing outside legal counsel pursuant to (2)(d).
- (e) Mediators and Arbitrators.

**CORPORATE SERVICES
PROCUREMENT SECTION**

(3) Special Services

- (a) Providers of community services (including counselling, individual assessments, training, community support services, day care, Domiciliary Hostels Program, nursing, homemakers, funeral services, planned parenthood and prenatal care and education, as part of City-approved programs and projects).
- (b) Accommodations provided as part of City-approved programs and projects for the homeless and others living in poverty.
- (c) Vouchers provided by Community Services and Public Health Services as part of City-approved programs and projects.
- (d) Financial reviews conducted on a contingency basis for the purposes of recovering amounts paid and/or owed, such as tax recovery services.
- (e) Public/guest speakers.

(4) Utility Billing

- (a) Electricity.
- (b) Postal services.
- (c) Water and Wastewater.
- (d) Natural gas.
- (e) Communications, for example: telephone, cable.
- (f) The removal, relocation, identification or engineering related to utility infrastructure that exists on road allowances, right of ways and other City properties. This includes sub-surface and above-surface infrastructure.
- (g) Railway companies related to removal, relocation, construction supervision (flagging) and maintenance.
- (h) The purchase, sale, delivery and storage of Energy Commodities and the consideration of price hedging for Energy Commodities shall be in accordance with the City's Energy Commodity Policy.

(5) Government Agencies and other public authorities to which the City is required to remit to or pay a fee.

(6) Other

- (a) Antiques and artifacts (shops, sales, repairs, but not including restoration).
- (b) Acquisition of art (but not including commissioned works of art).
- (c) Publications (including newspapers, periodicals, magazines or books), CDs, DVDs and all copyrighted material.
- (d) Maintenance of software and hardware for systems previously acquired. (This exemption does not apply to new or additional licenses.)
- (e) Purchases of Goods for the purpose of retail sales (re-sale) by the City (not including items that bear the City of Hamilton logo or insignia).

**CORPORATE SERVICES
PROCUREMENT SECTION**

- (f) Media advertising, including trade shows.
- (g) Commodity purchases using a commodity price hedging agreement in accordance with the City's Commodity Price Hedging Policy.
- (h) Venues (including food and beverage where off site catering is not permitted) for banquets, meetings, events, receptions and training.
- (i) Hosting, sponsorship and/or rights fees for conventions or sports events incurred by Tourism Hamilton Inc.

**CITY OF HAMILTON
 INTERNAL AUDIT REPORT 2011-08
 PROCUREMENT CARD USAGE
 PART A – COMPLETED PRIOR RECOMMENDATIONS**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
1.	<p><u>Card Cancellations</u> Cancellation of procurement cards (P-cards) is not always performed on a timely basis for cardholders leaving the employment of the City. Approximately 58% of maintenance forms tested were received by the Procurement Card Administrator (PCA) on average 39 days after the employee's termination date. Upon receipt of cancellation notices, the PCA cancelled cards with the Bank on a timely basis.</p> <p>The risk of fraudulent use increases if cards are not cancelled prior to or immediately following termination. Although the City has insurance to cover financial losses arising from unauthorized purchases or fraudulent activity, there is a risk that the City may not be able to recover such charges if the Bank is not promptly notified of cancellations.</p>	<p>That Human Resources (HR) develop a detailed corporate property checklist to be completed in conjunction with the Termination of Service checklist which would include the P-card to be retrieved and cancelled. The checklist would trigger the collection of the P-card from the employee and require it to be sent to the PCA for cancellation at the time the checklist and other termination documents are sent to HR.</p>	<p>Agreed. The corporate property checklist will be part of the "Separation of Service Procedure" pursuant to the "Separation of Service Policy", a corporate Human Resources policy. The revised "Separation of Service Procedure" will be completed by September 30, 2010.</p>	<p>Completed. The Employee Property Checklist attached to the "Separation of Service: Return of Property Procedure" specifically lists the P-card as an item to be collected upon an employee's departure.</p> <p>The PCA received maintenance forms on average 11 days after the employee's termination date. This is a marked improvement over the 39 day average observed in 2010.</p>

**PROCUREMENT CARD USAGE
 PART A – COMPLETED PRIOR RECOMMENDATIONS
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
2.	<p><u>Contracted Goods and Services</u> P-cards are not to be used when a corporate contract is in effect for an item purchased, unless pre-authorized in writing by the Manager of Purchasing. Of the 174 transactions tested, seven transactions were identified as products available under a corporate contract for which cardholders did not obtain approval to purchase elsewhere when using a P-card. For example, office supplies were purchased amounting to approximately \$16,000 on 11 P-cards. However, the City has established a contract to order office supplies online at deeply discounted prices. By not following purchase agreements, the City is paying more for items as discounts are not realized.</p>	<p>That Purchasing develop a means to increase awareness of items covered under a contract and ensure all cardholders and Department Card Co-ordinators (DCCs) are informed.</p>	<p>Agreed. Purchasing currently provides awareness to staff through outreach programs including eNet broadcasts, in person meetings, rollout meetings with client departments, quarterly Purchasing Newsletters and a corporate contract listing on the Purchasing Resource page on the eNet (which includes a quick reference guide on how to procure from the contract).</p>	<p>Completed. Reminders with respect to the list of corporate contracts and contract changes are advertised on the eNet and quarterly Procurement Newsletters located on the Purchasing Resource Centre site. Inappropriate purchases identified by management are discussed with cardholders as part of the revised monthly review procedures.</p>

**PROCUREMENT CARD USAGE
 PART A – COMPLETED PRIOR RECOMMENDATIONS
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
3.	<p><u>Rebate Program</u> The City has been offered a supplier's rebate program based on yearly purchases referenced to the City's trade account number. It could not be determined whether the trade account number was referenced to realize the rebate on P-card purchases totaling approximately \$24,000 in 2009. Also, purchases approximating \$308,000 from other vendors offering similar products were incurred using P-cards. Additional rebates may be realized if:</p> <ul style="list-style-type: none"> • The City's trade account number is referenced for each purchase; and • Employees are encouraged to purchase items from this vendor rather than other stores not offering similar rebates. 	<p>That Purchasing inform all appropriate cardholders and DCCs of the details of this rebate offer and encourage cardholders to purchase items from this supplier to fully realize the available rebate.</p>	<p>This vendor's Rebate Program places the onus on employees to know the City account number and to present the number each time they make a purchase; otherwise, there is no rebate given. Staff who make infrequent purchases at this supplier may not remember the details of the program or may misplace the account number and thus the rebate is lost. Purchasing will contact the vendor in the fourth quarter of 2010 to see if the Rebate Program can be amended such that the onus doesn't fall on the individual staff to remember the Rebate Program details. One alternative to be discussed would be a process whereby the City of Hamilton presents a listing of their P-card purchases with the supplier at year end to be included in the calculation of the annual rebate.</p>	<p>Completed. Approximately \$24,000 in P-card purchases were made from this supplier in the first six months of 2011. Rebate program awareness has resulted in a 111% increase in supplier purchases as compared to 2009 purchases prorated for a six month period. Measures have been taken by each store's service desk to increase the likelihood that purchases are captured under the rebate program.</p>

**CITY OF HAMILTON
 INTERNAL AUDIT REPORT 2011-08
 PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
4.	<p><u>Delinquencies and Policy Infractions</u> a) Cardholders are expected to remit approved P-card statements and supporting documentation by established month end deadlines. Many cardholders are consistently delinquent in providing these items on time. Over 30% of the P-card statements sampled were delinquent with approximately 31% of these delinquent cardholders missing the monthly deadline four or more times in 2009. In a few cases, the cardholder's remote location or seasonal work load were acceptable reasons for being late. As clearing accounts are not reviewed on a regular basis, disputed charges and fraudulent activity may not be identified in a timely manner to seek out insurance claims, cardholder reimbursement or card provider reversal.</p>	<p>That Accounts Payable formalize a policy assigning responsibility to track cardholder delinquencies and P-card policy infractions to DCCs and outline what action will be taken by the DCC and General Manager (GM) when a set number of delinquencies or infractions have been reached. Such actions may include training, a formal reprimand or revocation of P-card privileges.</p>	<p>Agreed. During the next Purchasing Policy review, the P-card policy will be changed to include consequences of not following the policy. Changes will be communicated to users. This review is expected to be undertaken in the first quarter of 2011.</p>	<p>In Progress. DCCs record cardholder delinquencies and policy infractions on monthly and yearly compliance summaries. These summaries are reviewed on a monthly basis by the Business Administrator and Director, and are to be reviewed by the GM at the end of the year. Although processes are in place to track delinquencies and policy infractions, management does not document what action was taken or the rationale for inaction, which questions the effectiveness of the review process.</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
4.	<p><u>Delinquencies and Policy Infractions (Continued)</u></p> <p>a) In addition, expenses will not show against individual budget lines possibly resulting in overspending. For expenses not charged to a clearing account, there is a risk that the Departmental Card Co-ordinator (DCC) will not follow up on the outstanding information.</p>			<p>MANAGEMENT RESPONSE: Non-compliance to purchasing policies is an employee performance issue. These are handled by the operations Director/GM through Human Resources. The "Comments" column on the compliance summaries (where the delinquency is outlined) will be completed by the Director/GM at a high level to maintain confidentiality.</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
4.	<p><u>Delinquencies and Policy Infractions (Continued)</u></p> <p>b) Two incidents in the sample were noted where cardholders used their P-cards for personal purchases. Even though the cardholders reimbursed the City, use of a City's P-card for personal transactions is strictly prohibited.</p>	<p>That Accounts Payable (AP) reinforce the policy regarding the prohibition of the use of P-cards for personal expenses to all cardholders. Reimbursement after personal use should not be considered as a means to override this restriction.</p>	<p>Agreed. A communication will be sent by the AP section in the 4th quarter of 2010 to all cardholders and approvers reminding them of the policy.</p>	<p>In Progress. Internal Audit identified one cardholder who incurred two personal transactions in one month. These purchases were identified by the BA, brought to the attention of the cardholder and were reimbursed. Although processes are in place to detect personal transactions, personal purchases are still occurring.</p> <p>MANAGEMENT RESPONSE: The communication referred to under the original Management Action Plan was issued November 10, 2011.</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
4.	<p><u>Delinquencies and Policy Infractions (Continued)</u></p> <p>c) Inadequate supporting documentation was noted for 75 of the 174 transactions tested in detail. In 49 instances, additional information was requested by Internal Audit in order to understand the nature or validity of the expenditure. In 17 instances, entertainment transactions did not note the purpose, nature and/or date of the event and/or attendees, contrary to the policy.</p> <p>In five instances, no receipts or supporting documentation were present. Without an adequate explanation of an expenditure's purpose or the names of individuals attending an event, it is difficult to determine whether expenditures were incurred for business or personal purposes.</p> <p>There is a high degree of public interest in City entertainment and other P-card expenditures and filed documents should contain adequate detail to stand on their own and support the expenses.</p>	<p>That when GMs (or designates) and DCCs review and process P-card transactions, they ensure that:</p> <ul style="list-style-type: none"> • Adequate information is provided to allow for a complete understanding of the nature and purpose of the expenditure; and • Entertainment expense information required under the P-card procedures is documented. 	<p>Agreed. Included in the communication above, an explanation of what supporting documentation and information is required and why it is important to both cardholders and approvers will be provided.</p>	<p>In Progress. Although improvement was observed, inadequate documentation still persists. Management has not communicated documentation requirements to staff and cardholders as outlined in their action plan. In the current testing, inadequate documentation was noted for 17 of the 226 transactions sampled.</p> <ul style="list-style-type: none"> • In eight instances, additional information was requested by Internal Audit in order to understand the nature of the expenditure and determine its validity. • In three instances, entertainment transactions did not note the purpose, nature and/or date of the event and/or attendees. • In six instances, documentation provided was not adequate.

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
4.	<p><u>Delinquencies and Policy Infractions</u> (Continued)</p>			<p>These deficiencies were not detected by the P-card approver, DCC, BA or Director as part of the monthly review process.</p> <p>MANAGEMENT RESPONSE: The communication referred to under the original Management Action Plan was issued November 10, 2011.</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
5.	<p><u>Contracted Goods and Services</u> P-cards are not to be used when a corporate contract is in effect for an item purchased, unless pre-authorized in writing by the Manager of Purchasing. Of the 174 transactions tested, seven transactions were identified as products available under a corporate contract for which cardholders did not obtain approval to purchase elsewhere when using a P-card. For example, office supplies were purchased amounting to approximately \$16,000 on 11 P-cards. However, the City has established a contract to order office supplies online at deeply discounted prices. By not following purchase agreements, the City is paying more for items as discounts are not realized.</p>	<p>That DCCs be charged with the responsibility of identifying P-card purchases that include any items for which there are corporate contracts and for which there is no evidence of pre-approval. In situations where such purchases occur, the DCC should inform the cardholder and monitor any future infractions as per the terms under recommendation 4. a) above.</p>	<p>Agreed. The DCC procedures will be reviewed with emphasis placed on identifying non-compliance and the actions that should be taken - to be performed by F&A Managers by end of 2010.</p>	<p>In Progress. Although a process is in place to identify instances of non-compliance, purchases circumventing corporate contracts with no evidence of pre-approval by Procurement are still not detected by the P-card approver, DCC, BA or Director as part of the monthly review process.</p> <p>Of the 226 transactions tested, four transactions were identified as products available under a corporate contract for which cardholders did not obtain approval and three of these transactions were not identified by management as part of the review process.</p> <p>MANAGEMENT RESPONSE: The original Management Action Plan was completed. The shortcoming here is that employees must keep up to date on all corporate contracts. Efforts will be made to ensure a list of corporate contracts is circulated regularly.</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
6.	<p><u>Infrequently Used Cards</u> Before granting P-card privileges to employees, department management should evaluate the employee's responsibilities to determine whether the availability of a P-card is warranted. Employees' eligibility to cards should be reviewed regularly based on their responsibilities and extent of use. The PCA sends usage reports to departments on a monthly basis to provide information to analyze cardholder activity. However, there are no requirements to analyze the reports provided or to cancel infrequently used cards.</p> <p>There were 56 cardholders in the 2009 calendar year who did not incur any transactions. Of these cardholders, 54% (30) were still active as at April 27, 2010.</p>	<p>That GMs regularly review cardholders' continued eligibility for P-cards based on the level of use. The DCCs should ensure this review process occurs and appropriate actions are taken.</p>	<p>Agreed. An annual report will be sent to GMs listing all cardholders who have not used their cards in the past year. They will be strongly urged to have these cards cancelled. Stringent rules cannot be built into the program with respect to canceling all inactive cards as each business unit has unique situations.</p>	<p>In Progress. Although a process is in place to identify cardholders with no usage, management does not document their justification to keep unused cards active.</p> <p>The number of low usage cards remains comparable to the prior year. Fifty-five cardholders did not incur any transactions in the first six months of 2011 and 31 of these cardholders were still active as at August 15, 2011.</p> <p>Another 69 cardholders used their cards less than three times in the first six months of 2011, spending a total of only \$20,555. Approximately 55% (38) of these cardholders were still active and remained below the three transaction low-use threshold as at August 19, 2011.</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
6.	<p><u>Infrequently Used Cards (Continued)</u> Another 50 cardholders used their P-cards less than three times in all of 2009, spending a total of only \$26,597. On one occasion, the single transaction incurred by one cardholder was for personal use and no other transactions were incurred on behalf of the City. Approximately 76% of these cardholders were still active as at April 27, 2010.</p> <p>The administrative cost of issuing and monitoring under-utilized cards, as well as the increased risk of fraudulent and inappropriate charges, can be avoided if P-cards are only issued to employees whose duties and usage warrant them.</p>	<p>That the PCA investigate a way to produce a report annually to note P-cards which have not been used in the 12 month period.</p>	<p>Agreed. The report noted above and an explanation letter will be sent out in February 2011 for the 2010 year by the PCA.</p>	<p>MANAGEMENT RESPONSE: The Management Action Plan indicates that this will be done annually. A year has not yet passed. It is management's intention to follow through at the conclusion of year end or quarterly, if time permits.</p> <p>In Progress. Although the PCA created a yearly report to identify active cardholders with no usage for the 2010 calendar year, the revised P-card procedures now place emphasis on the GM conducting an annual review of the yearly compliance summary prepared at the department level. As a year has not yet transpired under the revised procedures, the GM's annual review has not yet occurred.</p> <p>MANAGEMENT RESPONSE: This review will be done at year end.</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
7.	<p><u>Procedures Discrepancies</u></p> <p>Discrepancies exist between the documented Procedure for Procurement Card Section 5 Procedure #PR-15, approved on May 26, 2004 and actual practices.</p> <p>It was noted on the Maintenance Form located on the S drive that account code changes do not require GM approval. However, P-card procedures dictate that any changes must be approved by a GM.</p> <p>Internal Audit noted on numerous occasions that DCC approval signatures were missing from Application and Maintenance Forms, which contradicts the procedures specifying that these documents must originate from the DCC level.</p> <p>In addition, although DCCs or cardholders may call or email the PCA when cards are lost or stolen, procedures specify that a Maintenance Form must be completed. This currently does not occur.</p> <p>A lack of consistency between written procedures and actual practices can lead to inefficiencies and errors in the P-card process, as well as confusion for cardholders, DCCs and GMs.</p>	<p>That the P-card procedure be reviewed and changes made to reflect actual practices, where appropriate. Any changes should be communicated to cardholders, DCCs and GMs.</p>	<p>Agreed. Accounts Payable will make appropriate changes to the procedure to reflect the current practices. This will be done by the end of 2010.</p>	<p>In Progress. Revised P-card procedures were created and approved by Council on April 13, 2011. However, the discrepancies identified in the original observations were not addressed in those procedures. Department Co-ordinator Procedures are still in draft form. As a result, it could not be verified if the discrepancies will be addressed in the detailed DCC procedures.</p> <p>MANAGEMENT RESPONSE: The procedures referred to above are now complete.</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
8.	<p><u>Policy Infractions</u></p> <p>Over a three-month period, one cardholder from one department incurred 21 transactions on the City's P-card. Of those transactions, the following deficiencies were noted:</p> <ul style="list-style-type: none"> • 11 instances where additional information was required to assess the nature or validity of the expenditure; • nine instances where GST was recorded incorrectly; • eight instances where the purpose of an entertainment expense or the attendees were not recorded; • six instances where an inappropriate account number was used; • four instances where no receipts were present to support credit card charges; and • two instances where pre-approval in writing was not sought by the cardholder to purchase items for which a corporate contract existed. 	<p>That consistent cardholder policy non-compliance be addressed as noted in recommendation 4. a) above.</p>	<p>See management response to #4. a) above. The City employee referenced no longer has P-card privileges.</p>	<p>In Progress. As described in recommendation 4. a) above, a process is now in place to track cardholder delinquencies and policy infractions each month and cumulatively over the year. Although an area is available on the summary to describe the non-compliance and the action taken by management, there were no such indications noted as to the action taken to correct recurring infractions or the rationale for inaction.</p> <p>MANAGEMENT RESPONSE: See response for #4. a).</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
8.	<p><u>Policy Infractions (Continued)</u> There were no indications as to the action (or inaction) taken by the DCC or GM to correct this cardholder's behavior. All statements had been approved by the cardholder's supervisor. Although this cardholder's total transactions represent a minimal percentage of total credit card purchases, the lack of adequate management oversight could draw a substantial amount of negative media or public scrutiny. Lack of oversight also creates an opportunity to use the cards inappropriately and may encourage other employees to not follow policies and procedures.</p>			

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
9.	<p><u>GST Allocation</u> In the detailed testing of 174 individual transactions, the following was identified:</p> <ul style="list-style-type: none"> In 11 cases, receipts were not present or there was not enough information on the receipt provided to assess whether GST was recorded accurately. In 11 cases, enough information was present to calculate the correct amount of GST and errors were noted. In two cases, GST was incorrectly allocated when clearing items from clearing accounts. <p>Also, GST errors were identified in four of ten process walk-throughs performed. Many of the errors are a result of the reviewing and correcting, where necessary, of the statements in the P-card system which automatically stipulates GST (sometimes erroneously). Similar issues will continue with the introduction of HST, if not addressed.</p>	<p>That DCCs ensure that invoices and receipts are analyzed thoroughly and corrections made to GST/HST allocations in the credit card system by the month end deadline.</p>	<p>See management response to #5. above.</p>	<p>Initiated. Internal Audit continued to identify HST misallocations in the current review. Incorrect HST amounts were recorded for 16 of the 226 transactions tested in detail. In 8 cases, enough information was present to calculate the correct HST amount and in eight cases, inadequate information was present to assess whether HST was recorded accurately.</p> <p>A DCC procedures document is in draft form but has not been distributed to staff. The procedures include a Procurement Card Approval Form, which will obligate cardholders to analyze and write the amount of HST shown on supporting receipts, providing a foundation to improve the accuracy of recording HST.</p>

**PROCUREMENT CARD USAGE
PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
9.	<p><u>GST Allocation (Continued)</u> Canada Revenue Agency requires adequate documentation to support rebates paid. As well, documentation provided to GST audit consultants should be concise and complete in order to fully realize the benefits of their work.</p>			<p>MANAGEMENT RESPONSE: The procedures noted above are now finalized and will be distributed as suggested.</p>
10.	<p><u>Clearing Accounts</u> Clearing accounts used for P-card expenditures are meant to segregate those transactions requiring additional information or follow up. The accounts should be cleared to expenses, at year end at a minimum, but ideally on a regular month-to-month basis. On the average, it took 2-3 months to clear the transactions examined, with approximately 20% of the items cleared within 5-12 months. Although the accumulated amounts are not significant, the fact that the month end processing procedure and management review did not resolve the uncleared amounts undermines this control.</p>	<p>That Accounts Payable formalize a procedure assigning the responsibility of clearing the P-card clearing accounts at least quarterly to the DCCs. The corresponding BAs should ensure this occurs with a documented sign-off.</p>	<p>See management response to #5. above.</p>	<p>Initiated. The detailed DCC procedures outline how DCCs should clear transactions from the clearing accounts. However, these detailed procedures are currently in draft form and do not indicate how often clearing accounts should be reviewed.</p> <p>Based on testing performed, on average, it took 4-5 months to clear transactions examined with approximately 20% of the items cleared within 5-12 months. Therefore, the length of time to clear transactions has not improved compared to the prior review.</p>

**PROCUREMENT CARD USAGE
 PART B – PRIOR RECOMMENDATIONS NOT COMPLETED
 OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	COMMENTS (OCTOBER 2011)
10.	<u>Clearing Accounts (Continued)</u>			<p>MANAGEMENT RESPONSE: Clearing accounts are cleared as the information is made available. The monthly reports noted in #4. a) will show non-compliance against those cardholders who have not forwarded their information. It should be noted that the amounts are charged against the operating budget (just not the specific line budget) so that expenses are not being understated while additional information is being sought.</p>

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2011-08
PROCUREMENT CARD USAGE
PART C – NEW RECOMMENDATIONS**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
11.	<p><u>Account and Department ID Allocations</u> Department Card Co-ordinators (DCCs) have approximately ten (10) days after P-card statements are available from the US Bank to allocate transactions to the appropriate account and department ID numbers online with US Bank. Transactions that are not reallocated online are charged to the cardholder's default clearing account and department ID numbers when the P-card information is imported into PeopleSoft. Journal entries are prepared to allocate transactions from the clearing account to their appropriate account and department ID numbers.</p> <p>Internal Audit observed that HECFI does not specify account allocation changes in the P-card system before the month end deadline. Thirty-four P-cards were utilized by HECFI for 657 transactions for the six month period ending June 30, 2011. Transactions captured on the procurement statements required journal entries to reallocate charges from the clearing account.</p>	<p>That HECFI and the Library allocate transactions to their correct account and department ID numbers in the 'US Bank' P-card system before the month end deadline.</p>	<p>Library – Agreed. The Library has distributed notice to all holders of P-cards (June 7, 2011 and again on November 8, 2011) that should they continue to not have their statements submitted by the deadline, they will lose their P-card privileges.</p> <p>HECFI – Disagreed. HECFI puts great emphasis on internal controls surrounding P-card purchases and insists all transactions are properly documented by the cardholder and approved by the relevant Director before submission to Business Services. These procedures can seldom be prepared by the cut-off date. Time spent on preparing subsequent journal entries is a good tradeoff from strong internal control procedures.</p>

**PROCUREMENT CARD USAGE
PART C – NEW RECOMMENDATIONS
OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
11.	<p><u>Account and Department ID Allocations (Continued)</u> This practice also occurred for a period of time at the Library.</p> <p>The amount of time associated with preparing and processing P-card journal entries may be significantly reduced if HECFI and the Library used transaction allocation online with 'US Bank' before the month end deadline.</p>		
12.	<p><u>Computer Hardware and Software Purchases</u> The current P-card policy requires computer hardware and software purchases to be pre-authorized in writing by the Manager of Purchasing. In the testing sample, seven transactions were identified as computer hardware and software purchases for which approval had not been obtained in writing. These transactions were not identified by the P-card approver, DCC, Business Administrator (BA) or Director as restricted purchases during their monthly reviews.</p>	<p>That P-card approvers ensure written approvals from Information Services are attached to the P-card statements for computer hardware and software purchases.</p>	<p>Agreed. Staff will be informed by the Manager of Accounts Payable by the end of 2011.</p>

**PROCUREMENT CARD USAGE
PART C – NEW RECOMMENDATIONS
OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
12.	<p><u>Computer Hardware and Software Purchases (Continued)</u> Information Services has taken the position that departments may purchase hardware and software without approval if these items are not connected to the City's network. This position is not in compliance with current P-card policies and procedures.</p>	<p>That Procurement consult with Information Services to determine if approval is required for all computer hardware and software purchases. Changes should be made to the P-card policy, as necessary, and distributed appropriately.</p>	<p>Agreed. The Manager of Accounts Payable will complete this task by the end of the 1st quarter, 2012.</p>
13.	<p><u>Procedures Discrepancies</u> A Procurement Card Processing Procedure was approved by Council on April 13, 2011. The procedures require the Business Administrators and Directors to review six reports each month containing P-card transactions and compliance information. Of the 23 cardholders selected for testing, one or more reports were not prepared and/or reviewed for 74% (17) of cardholders. HECFI and the Library were unaware of these requirements as the revised procedures were not distributed to them until after the audit commenced.</p>	<p>That management verify that BAs and Directors are preparing and reviewing the six reports each month as per the procedure.</p>	<p>Agreed. The Finance and Administration (FA) Managers will ensure that there is compliance with what is outlined.</p>

**PROCUREMENT CARD USAGE
PART C – NEW RECOMMENDATIONS
OCTOBER 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
13.	<p><u>Procedures Discrepancies (Continued)</u></p> <p>Discrepancies exist between the P-card policies and procedures. For example, the policy states that the purchase of computer hardware and software must be pre-authorized in writing by the Manager of Purchasing but the procedure states these purchases must be authorized by Information Services.</p> <p>The majority of cardholders complete a Procurement Card Approval Form at the request of the DCC. These forms capture transaction information, such as the vendor, transaction and HST amounts, account allocation and transaction description. These Approval Forms are not completed in all sections and there is no requirement stipulated in the P-card procedures.</p> <p>Procurement Card Department Co-ordinator Procedures are currently in draft form and have not been distributed to staff. As a result, DCCs continue to rely on past experiences which lead to inconsistencies in the P-card process.</p>	<p>That inconsistencies between the P-card policy and procedures be reviewed and corrected. Amendments should be communicated to cardholders, P-card approvers, DCCs, BAs, Directors and GMs.</p> <p>That the P-card procedures stipulate all the information that is required on the Approval Form.</p> <p>That incomplete Procurement Card Approval Forms be returned to cardholders.</p> <p>That management finalize the Department Co-ordinator Procedures and distribute the document to all DCCs.</p>	<p>Agreed. Policies and procedures will be reviewed for inconsistencies by the Manager of Accounts Payable by the end of the 1st quarter, 2012.</p> <p>Agreed. The FA Manager (Corporate) will review this by the end of the 1st quarter, 2012.</p> <p>Agreed. See above.</p> <p>Agreed. See above.</p>

APPENDIX "A"
CITY OF HAMILTON
PROPOSED 2012 INTERNAL AUDIT WORK PLAN PROJECTS

1. AUDITS IN PROGRESS OR CARRY FORWARD

Audit Project	Project Description
PRESTO – Financial Controls	<p>In 2011, the new transit fare card system (branded PRESTO) became operational in Hamilton. It is meant to replace monthly passes and tickets and provide transit customers with the ability to travel on different transit services within the GTA and Hamilton area. As much of the financial aspects of fare administration are with a third party, processes are being reviewed as to their effectiveness in ensuring the City receives its share of transit revenues.</p> <p>The fieldwork is in progress. Completion of the file and the resulting report is expected in the first quarter of 2012.</p>
Parking Infractions and Enforcement	<p>As an additional piece to the POA Office audit reported upon earlier in 2011, processes for POA, Part II tickets (parking infractions) are being reviewed to ensure adequate controls exist in the issuance of tickets, collection of fines and the accounting for revenue in a timely manner.</p> <p>The fieldwork is ongoing with completion of the file and the resulting report expected in the first quarter of 2012.</p>
Complaint and Grievance Processes	<p>This audit focuses on the complaint and grievances processes available to staff. Procedures for the identification, documentation, investigation and resolution of issues are reviewed as well as the administration and management of the processes and actions to reduce the number of grievances filed. Related costs (litigation, settlement, etc.) will be analyzed.</p> <p>The fieldwork has begun on this audit and completion is expected by the end of the first quarter, 2012.</p>

2. ANNUAL RESPONSIBILITIES

Audit Projects	Project Description
Police Cash Accounts, Revenue Processes and Procurement Card Usage	A requested independent verification of selected cash accounts and procurement card usage as well as a review of controls in various revenue collection processes are conducted.
Follow Up of Outstanding Recommendations from Previous Audit Reports	This work relates to the review of the implementation status of audit recommendations from approximately 12 audit reports issued in the prior 12-18 months.

2. ANNUAL RESPONSIBILITIES (Continued)

Audit Projects	Project Description
Procurement Card Usage	As the findings and recommendations in the past two audits (2010 and 2011) of this area have led to several changes in processes and oversight, the audit of procurement card usage will be included as an annual responsibility until processes have been reviewed and tested for compliance and adequate control.
Annual Follow Up Process	<p>In order to ensure that the Audit, Finance and Administration Committee has adequate information to fulfill its responsibilities for the oversight of governance and control, a follow up system of yearly updating on the status of uncompleted recommendations was developed in 2011 and the results reported to the Committee.</p> <p>This process will be carried out annually.</p>

3. NEW PROJECTS

Audit Projects	Project Description
Cash Handling – Recreation Centres and Arenas	The cash collection, handling and balancing processes in the City’s recreation facilities and arenas will be audited to ensure controls are adequate and revenue is properly accounted for.
Information Services – Review of Asset Management (Hardware)	Considerable dollars are spent in the provision of technology resources for the City. In 2011, software (applications) was audited. With the forthcoming award of a contract for desktop and mobile computers and servers, a review of the administrative and management processes appears warranted. Such processes will be reviewed and assessed as to their ability to ensure sustainability of assets, provide adequate service to users and guide sound decision making.
Blue Box Contract – Waste	Over the past several years, most of the waste contracts have been reviewed to ensure compliance with contract terms. The blue box collection contract remains one of the last such agreements to review. With a new Request for Proposal (RFP) on the horizon, this audit may also provide some additional controls and procedures to strengthen administration and oversight over a potential new contract.
Social Housing	Considerable funds are expended by the City in the provision of social housing. It is anticipated that a general overview of the various programs will be carried out in order to select a subject area for audit.
Snow Clearing / Sand & Salt Contracts	This audit will review how such contracts are awarded, administered and monitored. The adequacy and effectiveness of controls and processes in the management of the City’s contracted winter maintenance program will be assessed.

3. NEW PROJECTS (Continued)

Construction Contracts Review – Public Works	This review will focus on the adequacy of controls in tendering, awarding and management of two to three selected contracts. Contract payments and other costs will be reviewed for supporting documents and reasonableness. Compliance with policies, procedures and contract terms and conditions will be assessed.
Grants	The City of Hamilton distributes grants to various outside bodies, some for specific projects and others for operating purchases. This review will include an assessment of the application evaluation process for awarding the grant and the measurement of success in meeting objectives and realizing benefits in the community.
Public Health – Specific Program	Continuing with Internal Audit’s past practice of auditing selected programs in the Public Health area, a specific program will be chosen for review. The audit will assess compliance with legislative and reporting requirements as well as the effectiveness / efficiency of the current service delivery model including the administrative procedures for the particular program.
Bridge Maintenance Program	The audit will include a review of processes used for the maintenance of the City’s bridges including inspections, records and inventories, methodology used for assigning maintenance priorities and rehabilitation contracts and oversight controls.

4. OTHER INITIATIVES

Audit Projects	Project Description
Risk Assessment	In order to assess the relative importance of potential audit areas and develop an audit work plan, the Director of Audit Services has relied on a detailed risk assessment exercise completed in 2007. Although audit standards recommend updating the assessment every year when developing the work plan, the process is very labour intensive and resources are not available on an annual basis to do such updating. However, five years have transpired since the last complete risk assessment and it is important to bring such assessment up to date with the many corporate and departmental changes that have occurred.
Quality Assurance – Audit Services Division	Internal auditing standards (Institute of Internal Auditors (IIA)) require the audit organizations following best practices established by the IIA undergo an external quality assurance review minimally every five years. The City’s Audit Services Division underwent such a review in 2007 by Booker & Associates. The IIA allows smaller audit shops to collect and prepare review materials and seek a review by a third party assessor.