



# City of Markham

## Report of the Auditor General Vendor Management Audit – Follow Up

**Presented to:** General Committee of Council, City of Markham

**Date:** March 4, 2019

## BACKGROUND

On October 2, 2017, the Vendor Management Audit Report was issued, evaluating the City's vendor management processes and internal controls.

As reported, the City had adequate procedures in place over vendor management and there were efficient and effective internal controls related to vendor management activities.

The results of the audit identified two medium and three low priority observations and corresponding recommendations.

This follow-up audit on the observations and recommendations was completed January 2019.

## 1. CONFLICT OF INTEREST DECLARATION

MEDIUM

### **Audit Recommendation:**

To reduce the risk of unreported conflicts of interest, a declaration should be obtained from individuals involved with a procurement or in procurement approval/decision making roles that a conflict of interest does not exist. The declaration should become a key document to be retained as part of the procurement process to demonstrate adequate due diligence has been performed for each City procurement.

The Code of Ethics and Conduct, which is dated from 1998, should be updated to include the definition of conflict of interest to ensure conflicts can be assessed.

### **Remediation Status: Complete**

In December 2018, the City updated both the Code of Ethics and Conduct, and the Procurement Manual which includes an updated definition of “Conflict of Interest”. The City has also developed a Conflict of Interest Declaration Form. For all procurements, regardless of the contract dollar value, the City requires all staff who are involved with a procurement or in procurement approval/decision making roles to complete and sign a Conflict of Interest Declaration Form.

## 2. VENDOR MANAGEMENT POLICIES & PROCESS DOCUMENTATION

MEDIUM

### **Audit Recommendation:**

To ensure consistent application of vendor management activities enterprise-wide, all vendor management policies, processes and procedures should be compiled into a manual that can be used by all departments.

The manual should bring together vendor management processes in a common and easy-to-access format, that outlines the City's policies, established processes and procedures, and that can be adapted to different sized vendor contracts and departments.

### **Remediation Status: Complete**

The City has developed a Vendor Management section, included in the Procurement Manual, which consolidates and standardizes guidance for the City's vendor management policies, processes and procedures, as well as detailed process maps.

### 3. VENDOR PERFORMANCE MEASUREMENT

LOW

**Audit Recommendation:**

For consistent and reliable assessment of vendor performance, the City should 1) standardize vendor performance evaluation forms/scorecards, including criteria for each aspect of performance being assessed; 2) develop a vendor performance policy and process; and, 3) maintain evaluations in an accessible database. The City should also consider the use of vendor performance scores within the procurement process.

**Remediation Status: Complete**

The City has documented a standardized approach, including criteria, weighting score scale, and an evaluation form, for vendor performance measurement which is contained within the Vendor Management section of the Procurement Manual.

The City has included the use of past vendor performance scores during the reference check stage of the procurement process, whenever past vendors are involved, within their updated procurement process.

The City will also be leveraging upgrades to the customer relationship management software, when the software is implemented in 2020, to create a vendor database that can be accessed by staff to obtain real time information on vendors and their performance evaluation scores.

## 4. SOFTWARE INTEGRATION

LOW

### **Audit Recommendation:**

The City should investigate and evaluate options to integrate functions between SharePoint, eSolutions, Cayenta, and Procurement's Access Database, where possible, to streamline Procurement's processes and facilitate easier retrieval of information, contract management, as well as stronger internal controls. Further, the integration of Eclipse and Cayenta could facilitate streamlined invoice verification and project budget and purchase order processes.

### **Remediation Status: Complete**

The City is pursuing opportunities to update, upgrade and automate processes. For example, the City has an IT project which is planned for 2019 to explore integration of the interfaces between the Cayenta Financial system with Eclipse, the City's project management software.

Further enhancements will be pursued as part of Markham's Digital Strategy which is being implemented over the next two years.

## 5. FILE STRUCTURE & FILE MAINTENANCE / RETENTION

LOW

### **Audit Recommendation:**

To allow for consistent file structure and to improve document retrieval, file maintenance and retention, a policy outlining vendor contract and management file structure, naming convention and mandatory document inclusion should be developed. This could further be augmented with a checklist for vendor files.

### **Remediation Status: Complete**

The City has created a standard file folder structure for individual procurement projects. In addition, a documentation checklist has been developed, outlining the documents required for each procurement/project file.

## OVERALL RECOMMENDATION

The Auditor General recommends that:

- The Vendor Management Audit – Follow Up Presentation be received.

## ACKNOWLEDGEMENT

MNP extends our appreciation to the staff and management of the City for their co-operation and assistance throughout the engagement.

