Winnipeg | Audit

Traffic Signals Branch - Procurement and Contracting Audit

September 2024

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Audit Background

The intent of the audit is to:

- Report to Council on the Traffic Signals Branch contracting and procurement activities as required per the September 22, 2022 motion adopted by Council. The motion stated “That the City Auditor be directed to report back on the last five years of contracting and procurement activities related to Traffic Signals Traffic Signals”.

Audit Objectives

The objectives of this audit were:

- To assess whether the Traffic Signals Branch (TSB) procurement and contracting activities for the last five years (August 1, 2018 to August 31, 2023) were in accordance with the City's policies and procedures.
- To evaluate the adequacy and effectiveness of relevant internal controls.

Conclusions

Conclusion 1

- The procurement and contracting activities for the audit period were in accordance with existing City policies, procedures and administrative standards except for:
  - Two instances where the Insurance Branch of the Risk Management Division was not notified of the awarded contracts by the TSB Contract Administrator (CA).
  - The process of amending the terms and conditions of tenders as related to the total performance date was not consistently adhered to.
  - Seven instances of purchase orders that were not closed after the end of the contract.

Conclusion 2

- The City has established a Purchasing Policy, administrative standards, manuals, business processes and procedures that control the procurement and contracting activities.

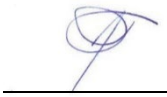
- Overall, relevant internal controls related to the procurement and contracting activities for the audit period were noted to be adequate and effective.
    - However, opportunities exist to enhance the process for amending terms and conditions of a tender with respect to total performance date, reporting and monitoring of claims, use and closing of purchase orders and updating the Purchasing Card Program Procedures Manual.
    - Opportunities exist to communicate these changes to all employees through established standards, processes and procedures, and to enhance the mechanisms that monitor and ensure adherence to them.

Independence

The Audit Department team members selected for the audit did not have any conflict of interest related to the audit's subject matter.

Acknowledgement

The Audit Department wants to extend its appreciation to all of the stakeholders who participated in this audit.



September 2024

Jason Egert — Date

City Auditor

1.1 Traffic Signals Branch Overview

The Traffic Signals Branch (TSB) is a branch of the Transportation Division of the Public Works Department. It is responsible for designing, procuring, building, setting timing, operating, and maintaining all electrified traffic displays within the city. These displays include signalized intersections, flashing pedestrian corridors, keep-right flashers, and speed/prepare-to-stop signs. The TSB also operates the Transportation Management Centre (TMC) – a real-time response unit that helps keep traffic moving and Winnipeg residents informed of delays.

With the population of Winnipeg growing steadily in recent years, from 677,600 in 2011 to 767,500 in 2021 (an increase of 1.3 percent per year), demand on traffic signal infrastructure has also increased. To meet these increasing demands on traffic signal infrastructure, Signals focuses on two main goals:

1. Safety: Improving the safety of drivers, cyclists, and pedestrians on Winnipeg roadways

2. Efficiency: Reliable and predictable movement of people and goods on Winnipeg roadways achieved at a low cost

Traffic Signals consists of five main service areas: Operations, Design, Procurement, Timings, and the Transportation Management Centre (TMC). The Procurement service area is most relevant to the audit and is responsible for purchasing required materials to support the construction and maintenance of infrastructure, ensuring operations and other areas have the inventory required to perform their tasks, and ensuring all RFPs are completed.[1]

The audit project consisted of two components:

- Contracting activities which primarily focused on competitive bids (tenders, request for proposals, over- expenditures) and single source bids.
- Procurement activities which focused on purchase order (PO) and purchasing card (PCard) processing.

[1] The Public Works Transportation website (https://legacy.winnipeg.ca/publicworks/transportation/pdf/2022TrafficSignalsBranchAnnualReport.pdf) was viewed April 25, 2022.

2.1 Awarded Contracts

Contracts are awarded to successful vendors for the supply and delivery of various services and goods to the TSB for its smooth operations, which includes - installation, maintenance and management of all Traffic Signals infrastructure. Contracts are awarded after going through a bid solicitation process, guided by the City's Purchasing[2] (previously called Materials Management) Policy F1-003[3] and Administrative Standard FM-002[4]. This is to ensure the branch's needs are met in an effective and efficient manner and taxpayers receive the best value. The bid solicitation process is also to ensure the procurement of sustainable goods and services and that all businesses are entitled to fair and ethical treatment.

Observations

- Contracts were awarded and approved in accordance with existing City policies, procedures and administrative standards, except for:
    - Two instances where the Insurance Branch of the Risk Management Division (Insurance Branch) was not notified of the awarded contracts by the CA.
    - The process of amending the terms and conditions of tenders as related to the total performance date was not consistently adhered to in 2018 and 2019. We did not identify any instances of not implementing amending agreements after 2019.
- Contract over-expenditures and extensions were approved in accordance with existing City policies.
- The process of reporting and monitoring the claims recovery status needs to be improved upon.
- The TSB has taken steps and created tools to improve the existing process related to contract over-expenditures.
- Forty-nine percent of the total value of awarded contracts were awarded to two contractors for the installation of underground Traffic Signals services and associated work. The remaining 51 percent was awarded to 32 other contractors for the supply and delivery of goods and services, excluding the installation of underground services and associated work.

[2] Materials Management changed its name to Purchasing as communicated on February 8, 2024.
[3] https://legacy.winnipeg.ca/finance/findata/matmgt/policy/policy.pdf
[4] http://citynet/cao/administrative_directives/financial_management/pdf/fm002.pdf

Analysis

- The City's Purchasing Policy[5] provides governance of purchasing functions and an Administrative Standard FM-002 that sets out direction for administering the Purchasing Policy and the Delegation of Authority. The Delegation of Authority with respect to contracting outlines the various levels of authorities, detailing what they can approve and their respective approval limits.
- Purchasing offers City of Winnipeg staff, Consultants and Business owners, assistance with contracts, training, interpreting policies and administrative standards pertaining to Purchasing matters[6]. For contract management, it uses a purchasing application called Purtrac. The application maintains records of bid opportunities data/information.

High Level Analysis

- A high-level analysis of all contracts awarded by the TSB from August 1, 2018 – August 31, 2023[7] was performed.
- A total of 58 goods and/or services contracts were awarded for the period with a total dollar value of approximately $11.9 million. The data was generated from Purtrac's Public Works Department and Transportation Division report.
- There were some limitations regarding the reliability of the contracts' data. Please refer to **Appendix 1** - Audit Methodology for details.
- We identified that five out of the 58 contracts were awarded from three competitive bid opportunities[8] for the installation of underground Traffic Signals services and associated work to two contractors. The sum of the five contracts represents 49 percent of the total contract value.
    - Two out of the three bid opportunities had one other contractor besides the two companies submitting a bid. The contracts were awarded to the lowest bidder.
- The remaining 51 percent of the total contract value was awarded to 32 other contractors for the supply of goods and services. This excluded the installation of underground Traffic Signals services and associated work.

[5] https://legacy.winnipeg.ca/finance/findata/matmgt/policy/policy.pdf; page 1
[6] https://legacy.winnipeg.ca/MatMgt/
[7] Bid opportunities from August 1, 2018 – August 31, 2023 as directed by Council motion
[8] Two bid opportunities jointly awarded to two contractors

    - Eight of the 32 contractors were awarded more than one contract, with the highest number of contracts awarded being eight; seven of which were awarded as competitive bid opportunities and one as single source.
- No other contracts outside the installation of underground Traffic Signals services and associated work were awarded to the two contractors with 49 percent of the total contract value.

Compliance with the Purchasing Policy, Administrative Standard and Processes

- A sample of 10 contracts from eight bid opportunities were reviewed and tested to assess compliance with the City's Purchasing Policy, Administrative Standard FM-002 and processes. The contracts were made up of eight competitive and two single source contracts.
- We reviewed information provided by Purchasing, Legal Services, the Insurance Branch and the TSB.
- It is the responsibility of the TSB Contract Administrator (CA) to draft the tender documents. The tender documents are reviewed by the TSB CA and Purchasing Contract Officer (CO)[9] before they are posted on the procurement website.
- The contracts were awarded in accordance with the City's Purchasing Policy, Administrative Standard FM-002 and processes.

Competitive Bid Documentation

- We obtained and reviewed the Letter of Award (LOA), Contract Order (as stipulated in tender) and the Award report memo and confirmed compliance with the Purchasing Policy and Administrative Standard FM-002.
- Bid documentation was reviewed and approved by the Purchasing and Legal Department and was evaluated fairly and awarded to lowest responsive bidders in compliance with the City's Purchasing Policy and Administrative Standard FM - 002.
- We identified two instances where the Insurance Branch was not notified of the awarded contracts by the TSB CA.
    - According to the Insurance Branch, it is the responsibility of the TSB CA to advise the branch of awarded contracts and provide a copy of the notice of award.

[9] Contract Officer – Employee of Purchasing who reviews the bids/tender documents prepared by the CA

    - The terms and conditions of the tender indicate that the contractor shall provide the TSB CA with certificate(s) of insurance in a form satisfactory to the City prior to the commencement of any work.
    - The Insurance Branch is responsible for ensuring that acceptable and specific insurance coverage as listed in a tender is in place.
- In one of the two instances, we found that the certificate of insurance was not reviewed and approved by the Insurance Branch in compliance with the specific insurance coverage. However, the Insurance Branch informed us that the contractor did provide their office with an annual evidence of insurance.
- In the other instance, from our review of shared email correspondences between the Insurance Branch and the TSB CA, we found that the Insurance Branch was notified of the awarded contract by the contractor and not the TSB CA.
- Our review of the documentation related to the awarded contracts showed two bid opportunities where the successful bidder was the second lowest bidder. This was because the lowest bidders could not comply with some of the terms and conditions of the tender.
- The contracts were awarded in accordance with the City's policy related to non-responsive bids.

Competitive Bid Process

- We noted that multiple bids were accepted from the same contractor for a tender. This practice is not disclosed in the Purchasing website and/or on the tender. Purchasing indicated that:
    - This is an acceptable practice even though it is not disclosed on their website or through other communication channels to inform the public.
    - There are various reasons why the City would accept multiple bids. Examples include provision of better competition to the City and greater flexibility for the bidders.
    - Bidders typically do not bid multiple products. This is because the City's practice is to accept the lowest price for qualified goods/services.
    - For transparency, bidders can direct their question to the TSB CA or the CO as all bidders are treated equally.
- We also observed that a contractor continued working beyond the total performance date stated in the tender for the two contracts awarded in 2018 and 2019.
- We found that there was an authorized approval of an amending agreement in place by the appropriate authority (granting six months extension from the initial total

performance date) for one of the contracts. However, the approved extension date was not met as work was still being performed for an additional five months after the extended date. The TSB indicated that:

  - The total performance date was extended due to weather.
  - They were previously not aware that an amending agreement was required to amend the total performance date.
  - Employee turnover posed a challenge and resulted in inconsistencies in obtaining and documenting amending agreements where applicable.

- We did not identify any instances of not implementing amending agreements after 2019.

Over–Expenditure Review and Analysis

- There was a total of six over-expenditures (OE) from five contracts, with an initial awarded total contract value of about $5.3 million. The total contract OE of $1.2 million was authorized by the appropriate authority with the highest OE being 39.3 percent.
- We analyzed the six OEs and noted that five of them awarded in 2018 and 2019, representing 91 percent of the total value were from the two contractors awarded 49 percent of the total contract value.
- We inquired about the reasons for the significant OEs as well as the monitoring process from the TSB. We were informed that:
  - Work needed to be corrected and implemented after the contract was awarded.
  - The work could not be deferred until the following year as some of the jobs were emergencies, requiring continuous progress on larger projects and avoiding the creation of additional road work if delayed.
- Our analysis of the TSB's response to the additional work showed that 31 percent of the total OE value was for capital projects implemented after contracts were awarded and 21 percent was for infrastructure damages that needed to be corrected as well as emergency maintenance work. The majority of the damages were caused by random vehicles and contractors while working on the roads.
  - According to the TSB, the Claims Branch of the Risk Management Division (Claims Branch) is notified when there is a damage caused by contractors for recovery of cost of damages.
- We were unable to quantify the number and value of damages recovered from contractors. The TSB informed us that the employee responsible for administering claims for the TSB is no longer with the City and the position is yet to be filled.

- Through discussions with the Claims Branch, we were informed that the following challenges related to the claims recovery process were communicated to the TSB:
    - Difficulties in obtaining the costs of damages and supporting documents.
    - Delays in reporting claims, as the Claims Branch is required to report damages to MPI within two years of the date of loss and settle with them within a reasonable timeframe.
- We also noted that 30 percent of the additional work was based on the request from developers and 18 percent was based on a request from Council.
- TSB informed us that over the past three to four years, the following tools have been implemented to track projects and assist in minimizing contracts OEs:
    - Design Work Tracking Spreadsheet
    - Central Filing System for Project Estimates
    - Progress tracking spreadsheet
    - Underground Signals Works by Capital Project Contractors
    - Project Tracking Spreadsheet
- Based on our review and analysis, only one of the six contract OEs occurred in the past four years. The contract OEs appeared reasonable. We confirmed the existence of the design work tracking spreadsheet, central filing system for project estimates, progress tracking spreadsheet and project tracking spreadsheet.

Contract Extension Review and Analysis

- During our bid opportunity analysis, we found that there were four contracts with a total of eight extensions.
- The percentage increase for seven of the extensions' cost ranged between 0.6 and 19.9 percent. The extensions were approved by appropriate levels of delegated authority.
    - The seven extensions also appeared reasonable with percentage increases within the annual growth rate of the price of selected construction goods and materials in Canada.
- The eighth extension was an RFP contract with an extension dollar value of approximately $701,000 and a total contract increase of 229.1 percent. Through discussions with the TSB, we were informed that:
    - The increase was due to project additions and license subscriptions for the contract period.
    - Time frames would not allow going to RFP (or tender) due to operational/department requirements. The extension allowed the Project Manager to meet the timelines in order to maintain the capital funding.
    - Purchasing advised us that the average turnaround time to process a bid opportunity is 30 days. This is dependent on the type of bid solicitation,

department, and award authority, while considering that Form A[10] states that the bid should be valid for 60 days if it is a tender or 90 days for an RFP. However, this can change depending on the complexity of the bid opportunity.

- Provision for these changes were included in the tender. We noted from our review of the administrative report that there were price increases on all unit items listed in the contract by the contractor.
- The RFP was evaluated by an evaluation review committee comprising of four employees with the required expertise and experience. The review committee setup was approved by Purchasing.
- The RFP extension was reviewed by Purchasing and Legal Services Department and the Administrative report was approved in line with delegated authority. The extension appeared reasonable.

Single Source Contracts

- Single Source is defined as any supply where the City solicits a supplier or suppliers of its choice or where the City issues a solicitation that requires the contractor to supply goods or services of a particular supplier that have not been previously competitively bid[11].
- We selected and tested two single source contracts that were awarded, one in 2018 and the other in 2019. We found that both were in compliance with the City's Purchasing Policy and Administrative Standard FM-002.
- We noted that a cost-benefit analysis was performed for the contract awarded in 2018 in compliance with section B4.4 of the standard, fulfilling both the period and value requirements. This requirement was not applicable to the contract awarded in 2019.
- Both contracts were properly approved in accordance with the delegated authorities.

[10] Contractor's information and conditions of anticipated work that comes with the bid submission

[11] https://legacy.winnipeg.ca/finance/findata/matmgt/policy/policy.pdf; page 4

RECOMMENDATION 1			
We recommend that the Director of Public Works in collaboration with the Traffic Signals Engineer, work with key stakeholders, specifically the Insurance Branch to establish a process that ensures all required documentation are received and communicated for the Traffic Signals Branch contracts.			
RISK AREA	Business Process	**ASSESSMENT**	High Risk
BASIS OF ASSESSMENT	Timely notification of awarded contracts and review of required documentation by the Insurance Branch ensures contractors have the capability to successfully execute the contract even in occurrence of unfavorable events.		
MANAGEMENT RESPONSE			
Management agrees with the recommendation. Traffic Signals Engineer will work with Purchasing to formalize the documented process to ensure all required contract documents are received for final review and relevant documents submitted to the Insurance Branch prior to the start of construction. Process will be provided to Traffic Signals employees via email documentation.			
IMPLEMENTATION DATE	January 2025		

RECOMMENDATION 2			
We recommend that the Director of Public Works in collaboration with the Traffic Signals Engineer, establish and document a Standard Operating Procedure (SOP) for creating amending agreements within the Public Works Department, which aligns with the underlisted procedures included in AS-014 (Review, Approval, and Execution of Agreements): ○ The date when the SOP was last updated/effective date ○ Clarification of the responsibilities and the job positions/persons of those responsible for performing the procedures ○ When to create an amending agreement ○ Individual who will ensure that the SOP and AS-014 are followed / oversight process. ○ Retention of email or communication to demonstrate performance and oversight of the procedures The internal SOP should be communicated to all staff of the Traffic Signals Branch.			
RISK AREA	Business Process	**ASSESSMENT**	High Risk
BASIS OF ASSESSMENT	Proper levels of review and approvals are required in extending total performance date through a properly approved amendment agreement. This will ensure that the reason(s) for not meeting total performance date is(are) justifiable and acceptable to the City and that contractors have the capacity to deliver on the project.		
MANAGEMENT RESPONSE			

Management agrees with the recommendation. Public Works will have this Standard Operating Procedure in place and updated as per the American Public Works Association Re-accreditation process commencing in November 2024.

IMPLEMENTATION DATE	March 2025

RECOMMENDATION 3			
We recommend that the Director of Public Works in collaboration with the Traffic Signals Engineer, work with the Claims Branch to establish a process that ensures the prompt reporting of damages, the associated costs, and all required documentation supporting the claims are supplied to the Claims Branch in a timely manner. Additionally, the status of the claims should be consistently monitored and reported on.			
RISK AREA	Business Process	**ASSESSMENT**	High Risk
BASIS OF ASSESSMENT	Timely reporting of claims and review of required documentation by the Claims Branch ensures the recovery of costs of damages to traffic signals infrastructures.		
MANAGEMENT RESPONSE			
Management agrees with the recommendation. Traffic Signal Engineer to work with Supervisor of Claims & Risk Control Services to develop documented process for reporting and monitoring status of traffic signals damages to the Risk Management branch. This process will include submission of relevant documents, photos (when available), claim status, and costs. Process will be provided to Traffic Signals employees via email documentation.			
IMPLEMENTATION DATE	January 2025		

2.2 Procurement of Goods and Services for the Traffic Signals Branch

The purchasing process begins with the identification of a need to purchase goods and or services. The Purchasing Business Process Redesign – Version3 document and PeopleSoft Purchasing Guide Version 9.1 establish the PeopleSoft PO process. The guide provides information on how PeopleSoft analyzes, reports and facilitates contract negotiations through tracking the type and number of purchases, managing PO requisition workflows, creating, maintaining and approving contract release, as well as spending limits and authorization.

The City's Administrative Standard FM-003 - Purchasing Card Policy and the Purchasing Card Program Procedures manual outline cardholder's and management's responsibilities, with respect to PCards, acceptable use, purchase and return procedures, card limits and procedures for changing card limits and information.

Observations

- Purchase orders sampled were approved in accordance with the City's policies and/or practices, except for:
    - Seven instances of purchase orders that were not closed after the end of the contract.
- Opportunities exist to improve some areas as:
    - The same purchase order was used for multiple contracts.
    - The City's PCard Procedures Program manual has not been updated to reflect current single transaction limit for PCard users.

Analysis

- Two methods of purchasing may be available, depending on the nature of the purchase as shown below[12]:

Purchasing Card Purchases

- Some purchases may most efficiently be made through use of the purchasing card (PCard). The City has identified criteria under which a PCard purchase is permitted, as follows:
    - Is the item to be purchased less than $100.00?
    - Is there a contract for the purchase, and if so, it should not be a PCard purchase unless the vendor is an approved PCard vendor?

[12] City of Winnipeg Connexus Project – Business Process Redesign – Process Awareness Documentation Version 3

Purchase Order/Requisitioning

- If a PCard is not used for the purchase of goods and or services, a requisition will be created in PeopleSoft. The beginning of the procurement cycle starts with a requisition or a Purchase Order (PO) which is the contract between the City and the vendor for goods or services.

Purchase Order Processing

- Fifteen POs related to the 10 contracts sampled were reviewed to evaluate appropriate approvals, reasonableness and compliance with applicable City policies and practices.
    - All of the fifteen POs were approved in accordance with the City's policies and/or practices.

- According to Public Works Finance and Corporate Finance, the recommended practice for processing POs is to ensure all costs associated with a given contract year are recorded through individual POs and a new PO is created for each new contract.
    - We reviewed and observed that the same PO was used for or associated with multiple contracts. This occurred in two POs associated with a contract awarded in 2020.
    - This issue was communicated to the TSB by Public Works Finance. Public Works Finance provided emails dated December 2022 and April 2023, advising Traffic Signals to create a new PO to capture the related costs for each contract. Public Works Finance also stated that they have not noticed any issues with Traffic Signals POs after their emails.
    - Corporate Finance confirmed that there is currently no documented policy on specific expectations for POs, expressing that they will look into updating the administrative standard to capture minimum expectations related to POs.

- Public Works Finance informed us that the City has a decentralized process for accounts payable, leading to variability in processing POs. In Public Works, most employees setting up POs are embedded in operations and work directly with Corporate Accounts Payable instead of Public Works Finance.
- Public Works Finance advised us that they are currently exploring ways to standardize the accounts payable processes for consistency within their department.

Purchase Order Monitoring

- Through discussions with Corporate Finance and Innovation and Technology (IT), we identified an annual year-end process for closing open POs. PeopleSoft can automatically close POs if system criteria such as POs with last activity over 60 days and zero encumbrance balance were met. Otherwise they have to be manually closed.
- We noted that Corporate Finance monitors and follows up on open POs that have not properly rolled over to the new year.
- While the year-end process is managed centrally at the Corporate level, Corporate Finance stated that the departments are responsible for managing all of their POs throughout the year.
    - The Corporate Finance's Accounts Payable 2023 Year End Processing document requires departments to make "every effort to review their Open PO reports and take appropriate action."
    - We noted from an email sent to Department Controllers at year-end that departments are directed to review their open POs and close the ones that are no longer needed.

- In our sample set of 15 POs, there were eight POs related to the five contracts, representing 49 percent of the total dollar contract value awarded to two contractors as previously mentioned under the high-level analysis of section 2.1 Awarded Contracts.
- We noted from PeopleSoft that seven out of the eight open POs were still open with a total encumbrance value of $716,604, (encumbrance value ranged from $0 to $490,000) even though the associated contracts had ended.
    - The associated contract with one out of the eight open POs was still ongoing during the conduct of this audit.
    - The TSB agreed that the open POs for the other seven contracts should have been closed.

Purchase Order Analysis

- We selected a sample of expenses for the POs related to the 10 contracts sampled. The expenses were reviewed to evaluate their reasonableness, appropriate approvals, and compliance with applicable City policies and practices.
    - Our testing indicates that the expenses were reasonable and in accordance with applicable City policies and practices.

Purchasing Card

- Administrative Standard FM-003 outlines the guiding principles concerning the use of purchasing cards in the City, stating that purchases should be made for business purposes only. The standard also outlines restrictions on card use such as for cash advances or anything of a personal nature.

Purchasing Card Limits/Reporting

- The City's PCard Program Procedures manual provides spending limits, steps to changing card information and program controls. In regards to the spending limits, the program manual states that the maximum for single and monthly transactions are $3,000 and $30,0000, respectively.
- According to Public Works Finance, Mastercard[13] automatically prevents Pcard users from making ineligible purchases such as purchases from liquor vendors, jewelry stores. Cash advances are restricted as well by Mastercard.
- The PCard program manual requires Pcard users to complete a form in order to change card information. The form has to be signed by the supervisor and the department's PCard representative for final approval.
- There were five PCard users for the period August 1, 2018 – August 31, 2023 and their single transaction limit ranged between $2,000 and $5,000 and a monthly charge limit of $30,000 in accordance with the PCard program manual.
- We identified a change in monthly spending limit of a PCard user. A review of the PCard change request form showed the request made and that the supervisor and department's PCard representative approved and signed the form to increase the monthly spending limit.
- Through our review of the PCard change request form and discussions with Public Works Finance, we identified that the maximum single-transaction limit in the program manual does not reflect the dollar limit of $5,000 currently in practice.
- We also selected a sample of PCard users' monthly cardholder reports[14] during 2018 – 2023. We found that the cardholder report purchases were reasonable and included supporting receipts, were within spending limits, and were appropriately approved.

[13] Card payment network processor of the City's purchasing card.
[14] Card holder report showing purchases made, invoice and transaction date, supplier, credit limit, amount and taxes.

Purchasing Card Limits Analysis

- We conducted an analytical review of monthly transactions of PCard users for the period September 1, 2022 - August 31, 2023 to identify any unusual spending patterns. We found that:
    - There were fluctuations in the monthly spending, but PCard users were within their monthly limits. We did not notice any unusual month-to-month spending patterns.

- We also carried out an analytical review of the single transaction limits of Pcard users. Our analysis did not show that purchases from vendors were being split to circumvent their single transaction limit. Their purchases remained significantly below their single transaction limit.

RECOMMENDATION 4			
We recommend that Corporate Finance update the administrative standard to include the use of new purchase orders for each new contract. This should be communicated to all the departments.			
RISK AREA	Business Process	**ASSESSMENT**	Moderate Risk
BASIS OF ASSESSMENT	The use of same purchase order for multiple contracts could lead to unauthorized billings and payment for work done outside the contract dates.		
MANAGEMENT RESPONSE			
Management agrees with the Recommendation. Clause B1.6 (d) (i) of FM-002 was updated in July 2024 to include instructions to issue one purchase order for each contract.			
IMPLEMENTATION DATE	Q3 2024		

RECOMMENDATION 5			
We recommend that Corporate Finance update the administrative standard to set base guidelines for closing purchase orders, communicating and holding departments accountable to adherence to defined procedures.			
RISK AREA	Business Process	**ASSESSMENT**	Moderate Risk
BASIS OF ASSESSMENT	Remaining encumbrance not processed back to the budget system, makes it unavailable for other use.		
MANAGEMENT RESPONSE			

Corporate Finance agrees with the recommendation and will update the PeopleSoft guides to assist staff with base guidelines for closing purchase orders. At year-end, Corporate Finance does a complete review of open Purchase Orders and we will look at doing the review on a semi-annual basis going forward.	
IMPLEMENTATION DATE	Q4 2024

RECOMMENDATION 6			
We recommend that Corporate Finance designate a Program Manager to update the Purchasing Card Program Procedures manual with the current correct maximum single-transaction limit of $5,000.			
RISK AREA	Information Resources	**ASSESSMENT**	Low Risk
BASIS OF ASSESSMENT	Unnecessary change requests could be initiated by cardholders, thinking that their card limit is only $3,000 causing confusion and inefficiencies.		
MANAGEMENT RESPONSE			
Corporate Finance agrees with the recommendation and will update the Purchasing Card Program Procedure to reflect the correct maximum single-transaction limit of $5,000.			
IMPLEMENTATION DATE	Q3 2024		

Appendix 1 – Audit Methodology

The City Auditor is a statutory officer appointed by City Council under *The City of Winnipeg Charter*. The City Auditor is independent of the Public Service and reports directly to Executive Policy Committee, which serves as the City's Audit Committee.

The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.

Once an audit report has been communicated to Council, it becomes a public document.

Project Risk Analysis

Our audits are conducted using a risk-based methodology. A risk assessment was performed to identify the areas of focus.

Scope

The scope of this audit included contracting and procurement activities related to the TSB for the period of August 1, 2018 – August 31, 2023.

Approach and Criteria

We conducted our audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our observations and conclusions, based on our audit objectives. We believe the evidence we have obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Procedures for this audit consisted of:

- Reviewing the following information:
    - Administrative standards, policies, procedures, manuals and business guidelines.
    - Tender bidding, award and approval process.
    - Delegation of Authority with respect to contracting.
    - Public Works department purchase order users approval matrix.
    - Purchasing Card processes, users limit and credit limit change.
    - PeopleSoft purchasing guidelines.
    - Purchase order workflow, process description, activities, roles and segregation of duties.

- Amendment of terms and conditions of contract related to total performance date.
- Departmental and corporate purchase order year-end processing provided by Public Works Finance and Corporate Finance.

- Analyzing data of:
  - Awarded contracts from purchasing Purtrac system for the period August 1, 2018 – August 31, 2023. This included a high-level analysis of contract distribution in terms of dollar value, contractors, goods or services; contract over expenditure and contract extensions.
    - The contract list report from Purtrac had missing data and included non-TSB contracts such as traffic services related contracts that were filtered from the report by the TSB's Contract Administrator.
  - Purchase orders from the City's PeopleSoft system.
  - Purchasing card users' transactions from the City's PeopleSoft system.

- Discussions with the TSB, Purchasing, Legal Services, Insurance, Public Works Finance, Corporate Finance and Information Technology Enterprise Application Services managers and employees.

The relevant City administrative standards, policies, procedures, manuals and business guidelines used as criteria throughout this audit include:

- Purchasing Policy F1-003
- Administrative Standard FM-002 Supplemental to the Purchasing Policy
- Administrative Standard FM – 003 Purchasing Card Policy
- Administrative Standard AS-014 Review, Approval and Execution of Agreements
- PeopleSoft User Defined Approval matrix
- PeopleSoft Process and Systems Integrity
- Purchasing Business Process Redesign Version 3
- Purchasing Card Program Procedures
- Department Purchasing Card Representatives Procedures
- Department and Corporate practices and procedure