



cutting through complexity

City of Nanaimo

Procurement Process Review

Presentation to Committee of the Whole

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Gordon S. Gunn, CA, CISA, CMC

Partner, Risk Consulting



- **Conduct a Value for Money study of the City's long-term supply arrangement for waterworks supplies**
 - Five-year supply arrangement with Corix Water Products established in May 2010.
 - Study covered waterworks supplies purchased from Corix and other waterworks suppliers during the period from May 1, 2010 to December 31, 2013.
- **Scope Limitations**
 - Did not revisit the decision to award the supply arrangement to Corix.
 - Not a compliance audit – did not verify the effectiveness of the City's internal control processes.

- **Value for Money review focused on three aspects of supply arrangement:**
 - **Economy** - getting the right amount of waterworks supplies, of the right quality, delivered at the right time and place, at the lowest cost;
 - **Efficiency** - the minimum staff and process resource inputs required to support the ordering, receiving, invoicing and payment for waterworks supplies; and
 - **Effectiveness** - the extent to which the City has been able to aggregate its purchase of waterworks supplies with a primary waterworks supplier.
- **Value Analysis**
 - “Values” – subjective concept – reflect the important and enduring beliefs or ideals of a social group about what is good or desirable.
 - We used values defined by City staff.

- **Evaluation criteria are necessary to focus the review**
- **Criteria were derived from information in RFP #1003 – Waterworks, staff reports to Council and input from staff**
 - 10 Economy Criteria
 - 8 Efficiency Criteria
 - 1 Effectiveness Criteria

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Findings - Economy

- Inventory levels reduced.
- Supply delivery is meeting City needs.
- Over \$70,000 of savings identified through supplier advice and expertise.
- Average price increase – 1.25% per annum.
- Revised estimate of savings - \$805,000 (\$390,000 baseline estimate).



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Conclusions - Economy

Criteria	0 Does not meet the City's requirements	1 Partially meets the City's requirements	2 Meets many of the City's requirements	3 Substantially meets all of City's requirements	4 Exceeds the City's requirements
1. Reliable, continuous service throughout the year				✓	
2. Provides a full range of waterworks parts with access to multiple brands				✓	
3. Strong supply network				✓	
4. Full delivery service including delivery to the City yard and jobsites				✓	
5. Afterhours emergency sales support			✓		
6. Efficient and capable warehouse operations			✓		
7. Knowledgeable advice concerning waterworks infrastructure maintenance				✓	
8. Provided assistance with the disposition of obsolete parts and issuing credits for the return of slow moving parts				✓	
9. Cost savings by leveraging the City's buying power through consolidation of the majority of its waterworks parts				✓	
10. Manage the risks associated with fluctuating commodity prices				✓	

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Findings - Efficiency

- **35 tender processes eliminated over 5 year term. Requirement to obtain multiple price quotes on numerous purchases eliminated – frees up staff time.**
- **City able to demonstrate that the majority of waterworks purchases are under an open and competitive procurement process.**
- **Invoice processing has been streamlined, resulting in \$73K in early payment discounts.**
- **Some concerns identified with respect to reliability of order taking and order filling.**
- **City's objective of consolidating purchase orders and invoices not achieved.**

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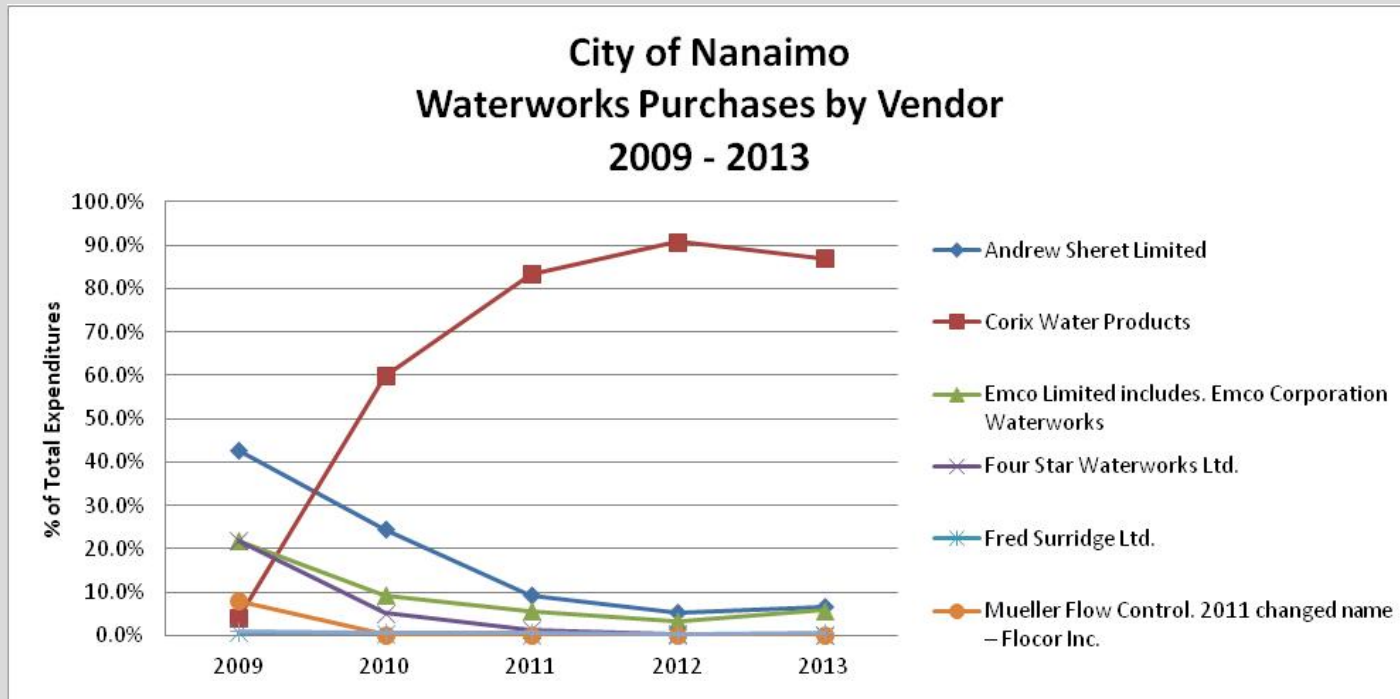
Conclusions - Efficiency

Criteria	0 Does not meet the City's requirements	1 Partially meets the City's requirements	2 Meets many of the City's requirements	3 Substantially meets all of City's requirements	4 Exceeds the City's requirements
1. Reduced time for purchasing staff in managing competitive procurements.				✓	
2. Enhancing the probity of procurement decisions over waterworks supplies (selection of supplier and product pricing)				✓	
3. Dedicated outside and inside sales representatives				✓	
4. Reliable order taking and order filling processes			✓		
5. All shipments FOB destination freight prepaid				✓	
6. Accurate invoicing and streamlined process of issuing credit invoices				✓	
7. Thorough documentation process for identifying information on packing slips and invoices which include: employee name, job location and budget number				✓	
8. Flexible payment options, including early payment discounts and payment by MasterCard				✓	

Procurement Process Review

Findings and Conclusions - Effectiveness

- City has met its target of consolidating 75% - 90% of its waterworks purchases with a primary supplier.
- New supply arrangement has substantially met the City's objectives for economy, efficiency and effectiveness and is achieving value for money for the City.



- **To enhance the supply arrangement and to prepare for the expiry of the supply arrangement, we recommend:**
 - Should the City continue with the supply arrangement, a minimum three-year term should be considered, with the City having the option to continue the relationship through two, one-year extensions.
 - The City should consider whether to exercise its rights to audit the primary supplier's manufacturer costs.
 - The City should plan for the collection, analysis and reporting of key performance data for the supply arrangement that will support the City's decision-making process at the expiry of the supply arrangement.



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