



INTERNAL AUDIT REPORT

Consulting and Professional Services Audit

October 2025

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CONCLUSION AND SUMMARY

From time to time, the City may require consulting and professional services for a defined service or project. Consulting and professional services are to be engaged in accordance with the City's Corporate Procurement Policy. It is expected that the City receives the best value for money while demonstrating the public procurement principles of fairness, openness, transparency and accountability. Competitive procurement processes should be used wherever possible while ensuring that non-competitive procurement is used only in narrowly defined circumstances.

In general, the audit did not find any evidence of non-compliance with corporate policies. Although the 2020 Consulting and Professional Services audit recommendations have contributed to improvements in processes, further enhancements are recommended to ensure that risks related to the procurement and use of consultants are effectively and efficiently mitigated. The following opportunities were identified:

- Strengthen Business Case guidance and oversight.
- Enhance procedures and reporting of consulting and professional services.
- Improve system integration and automation through cross-departmental collaboration.
- Ensure that post-completion lessons learned and performance evaluations are completed and documented.

A business case provides justification for undertaking a project. The City's Business Case process requires justification for projects with capital investment over \$500,000, focusing on cost, benefit, risk, and internal resource assessment. However, it was noted that departments often lacked documented assessments of internal resources, instead citing general internal capacity and expertise shortages. Business cases aren't required for mandatory Environmental Assessments, but clearer guidance is needed to distinguish them from projects needing business cases for better accountability. Additionally, the 2026 business case template initially did not include justification for hiring external consultants, which has now been addressed by management. These issues highlight the ongoing development of the project management framework and may contribute to unnecessary consultancy costs and missed opportunities for strengthening internal capacity. Clearer guidance and stronger oversight are needed to define project thresholds, require documented internal resource scans, and ensure all qualifying projects submit complete business cases before approval.

The City has developed the Corporate Procurement Policy and procedures to guide procurement activities, ensuring fairness, transparency, and fiscal responsibility. However, the policy and procedures lack specific guidelines for engaging external consultants. This could lead to inconsistent and unclear justification for consultant use, resulting in inefficiencies and higher costs. Additionally, the Procurement Activity Report submitted to Council lacks detailed information on the types of consulting services and their outcomes, potentially reducing transparency and accountability. To improve oversight, it is recommended that formal policy and procedures be established for engaging consultants, procurement procedures be regularly

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updated, and the report be enhanced to include more details on consulting and professional services and their impact.

Procurement Services implemented tools such as the Purchase Order (PO) Dashboard and corporate payment card (P-Card) Dashboards to improve oversight of procurement activities. While these tools have increased visibility, several system limitations remain. The PO Dashboard does not show all vendor invoices, and the Procurement Module in JD Edwards does not fully capture invoice data from the system's Financial Reporting Module. Additionally, bid numbers are not consistently referenced in financial transactions or POs. Other challenges include manual processes for supplier forms, PO sign-offs, limited access to financial data, and the lack of automated updates to the P-Card Dashboards. System limitations and historical practices have led to ongoing issues. These issues reduce efficiency, increase administrative burden, and limit the City's ability to make timely, data-informed decisions. Procurement Services has begun collaborating with the Office of the Chief Information Officer to address these gaps. Strengthening coordination, improving data access, and automating updates will support more effective procurement oversight and help advance the City's digital transformation objectives.

Post-completion evaluation is a project management practice that assesses the quality of work, value for money, and consultant performance after a project's completion. The City's procurement procedures require these evaluations to ensure that the consultant's services meet expectations and to track knowledge transfer to staff. However, our review found that these evaluations were often not documented, as the process was inconsistently enforced, and no formal template existed. This limits the City's ability to assess service quality, ensure value for money and knowledge transfer. The City's Program Management Office (PMO) is working on a standardized template for 2025. It is recommended that Procurement Services and the PMO continue developing guidelines, implementing the formal evaluation form, providing training on evaluations, and assign responsibility to ensure consistent documentation and use in future vendor selection.

Internal Audit will follow up on the status of outstanding management action plans related to this audit and will report the status to the Audit Committee.

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BACKGROUND

External consulting services support many of the City's capital projects and operating needs. They provide expertise, equipment and infrastructure that are not available internally. Consultants may also satisfy legislative requirements for independent assessments.

Consulting and professional services may be procured using several methods, including a Request for Proposal (RFP) process, single and sole sourcing, and emergency procurement. The Corporate Procurement Policy outlines the appropriate procurement method based on the project requirements and scope.

OBJECTIVES AND SCOPE

An audit of Consulting and Professional services was last conducted in 2020. That audit did not find any evidence of non-compliance with corporate policies. However, improvements were recommended to ensure that risks related to the procurement and use of consultants are effectively and efficiently mitigated. The objective of this audit will focus on whether the actions that have been implemented have improved the City's processes.

The audit approach included a review of eleven capital consulting projects and major operating consulting expenditures. For these engagements, we reviewed the procurement process, project management, and contract administration. We also conducted interviews with staff, reviewed invoices and analyzed general ledger coding of consulting costs.

Although some projects originated in 2020, the scope of this audit covered capital and operating consulting engagements for the period of January 2023 to December 2024.

As a result of recent audits, Development Planning and MoveSmart Mobility Management Strategy were not included in the scope of this audit.

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DETAILED REPORT

1. *Strengthen Business Case Guidance and Oversight*

A business case provides justification for undertaking a project. It evaluates the benefits, cost and risk of alternative options and provides a rationale for the preferred solution. Typically, a business case includes background information, the expected benefits and outcomes, considered methods to achieve these benefits, timelines, potential risks and estimated costs.

The City's Business Case process was introduced as part of actioning the findings from the 2020 Consulting and Professional Services Audit. Through the assessment of the Business Cases, where a project is approved to proceed to the budget process, departments will be required to identify whether procurement requirements include consulting services.

Where consulting services are required, the business case process will be used to identify and assess in-house capabilities and capacity to deliver business case objectives; assess whether the work or skill set is required on a long term and/or repetitive basis; and identify potential development opportunities to build capacity and capability to perform similar work in-house in the future. As per the Business Case Instructional Resource Guide, a business case is required for new operating and capital investments of \$500,000 or more in the business planning and budgeting process.

As a result of the recent organizational restructuring effective on November 14, 2024, the responsibility for managing the Business Case process has transitioned to the Strategic Planning and Program Coordination (SPPC) Department, while the City's Program Management Office (PMO), now within the Infrastructure Development portfolio, continues to provide corporate capital project oversight and support.

During the review of the sampled capital consulting projects, Internal Audit had the following observations:

- Business cases for consultants often lacked in-depth analysis of internal staffing availability, relying instead on general statements that no internal capacity or expertise were available. Departments indicated that resource scans were typically done informally, without documented evidence that internal options were seriously considered before hiring consultants.
- Business cases were not prepared for Environmental Assessments (EAs). As per the Director of the PMO, business cases are not required for EAs because they are mandatory, regulatory processes that enable future capital projects rather than deliver direct outcomes. However, it was acknowledged that clearer definitions and corporate guidance are needed to consistently distinguish enabling studies like EAs from projects requiring formal business cases, ensuring alignment and accountability in capital planning.
- The 2026 Business Case template initially had no section for analysis or justification to engage external consultants or professionals to complete the projects. During the audit,

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management confirmed that the template has been updated to include a section on external consultant requirements.

The audit findings highlight the need for clearer, more comprehensive guidance on business case development. The current guide lacks clarity and details in key areas such as definition of project, business case requirement and the extent of internal resource assessment. The absence of such guidance is largely due to the fact that the City's Project Management Framework is still maturing, leading to inconsistent application and reliance on informal practices. Inconsistent project management structure or practices and lack of formal in-house capacity assessment increase the risk of unnecessary consultant costs, missed opportunities to build internal expertise, and ongoing reliance on external services for recurring tasks.

Recommendations

We recommend that management develop clearer business case guidance. This should define what qualifies as a project for which a formal business case is required, and outline expectations for content.

The guidance should require documented justification for hiring external consultants, including evidence that internal capacity was assessed. Additional guidance should be provided on the extent of the review departments should undertake to solicit available internal resources prior to engaging external consultants.

A process should also be established to ensure all eligible projects have complete, compliant business cases before proceeding, supported by tools like checklists and tracking mechanisms.

Management Action Plan

Management agrees with the recommendations.

The recent internal audit of the City's corporate Business Case process identified several areas for improvement, particularly regarding the consistency, quality, and oversight of business case development. Gaps in guidance and limited documentation of internal resource assessments have led to inconsistent practices, missed opportunities to build internal capacity, and increased reliance on external consultants.

In response to these findings and to further improve the business case process beyond the scope of the audit SPPC, in collaboration with PMO, is implementing the following actions for the next business case cycle by Q3 2026:

1. Revise and Clarify Business Case Guidance and Requirements
 - Update the Business Case Instructional Resource Guide to:
 - Clearly define what qualifies as a "project" requiring a formal business case.
 - Clarify the applicability of business cases to enabling studies like Environmental Assessments.
 - Strengthen guidance on justification for engaging external consultants by:

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- Specifying the expected level of analysis and recommending that departments include measurable indicators through the use of both qualitative and quantitative evidence (e.g. internal resource constraints and staff workload metrics, need for specialized expertise, project timelines and time-sensitive deliverables, financial and cost-benefit metrics, alignment with workforce development plans and “build vs. buy” decisions).
2. Introduce a Standardized Internal Resource Assessment Protocol
 - Improve the section in the business case template requiring internal resource scans and justifications for consultant use and ensure the latest business case template includes fields on:
 - Results of internal staffing assessments.
 - In collaboration with Procurement, support staff with clear criteria to rationalize engaging external consultants.
 - Provide examples and supporting documentation to help staff complete this section meaningfully.
 3. Strengthen Oversight and Tracking of Business Case Compliance
 - While existing controls help ensure business cases are submitted, a feedback loop will be established with PMO to:
 - Proactively identify high-value or high-risk initiatives that meet business case thresholds.
 - Confirm that required business cases and approvals are in place before a new project is formally initiated.
 4. Establish Oversight and Compliance Mechanisms
 - Develop a compliance checklist and review workflow to ensure no business case proceeds without a completeness and compliance check.

Outside of the audit recommendations, further improvements and changes will be explored for the following:

5. Review and Adjust Business Case Launch Timing
 - Evaluate the timing of the annual business case launch to ensure departments have adequate lead time for internal analysis, consultation, and documentation.
 - Where possible, continue to align the launch period with strategic, operational, and financial planning cycles to ensure integration and preparedness.
6. Strengthen the Business Case Review and Approval Process
 - Conduct a review of the approval process to ensure roles, expectations, and timelines are clearly defined and consistently followed.
 - Establish clearer review protocols, escalation procedures, and feedback loops to support timely and coordinated approvals across all stakeholders.

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2. Enhance Consulting Services Procedures

The City of Vaughan has developed the Corporate Procurement Policy and Procedures to govern and guide all procurement activities, including the acquisition of consulting and professional services. These policies and procedures are designed to ensure that procurement processes are fair, transparent, efficient, and consistent with the City's commitment to responsible fiscal management. As part of the audit, Internal Audit conducted a benchmarking exercise comparing Vaughan's consulting and professional services procurement policies and practices with those of other municipalities.

Our review of the policies and procedures had the following observations:

- While the City's Procurement Policy applies general requirements to professional and consulting services, it lacks a dedicated policy or procedural framework that outlines clear conditions and justifications for hiring external consultants. In contrast, several other municipalities have established specific guidelines for the use of consulting services. The guidelines should clearly define professionals and consultants, clarify their distinct roles, and set clear conditions for their use to support oversight, cost control, and strategic alignment.
- Certain procurement procedures became effective several years ago and need review and update.

The absence of a dedicated consultant policy and outdated procedures stemmed from resource constraints in Procurement Services. Without clear procedures, professional and consultant use can be inconsistent and poorly justified, leading to inefficiencies, higher costs, and reduced accountability. Outdated procedures further increase risks of non-compliance, inefficiencies, and unclear practices, potentially undermining value for money and oversight.

During the audit, Procurement Services continued taking steps to enhance procurement procedures. Management confirmed that a new Procurement Policy and Compliance Officer has since been hired to oversee and update procurement policies and procedures.

Recommendations

We recommend that Procurement Services:

- Benchmark against leading municipal practices, develop and implement formal procedures for engaging professionals and consultants to ensure consistent, transparent, and justified use of external expertise.
- Review and update procurement procedures regularly to reflect current best practices, compliance requirements, and operational needs.

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Management Action Plan

Management agrees with the recommendations.

Since July 1st, 2023, the Corporate Procurement Policy has undergone two updates to enhance clarity and alignment with evolving standards. In addition to these revisions, six new procurement-related policies have been developed to address emerging needs and strengthen governance. Furthermore, five new procedures have been established to support consistent implementation and operational efficiency across procurement activities.

To ensure the consistent, transparent, and justified use of external professionals and consultants, the procurement team will benchmark against leading municipal practices. Based on these insights, formal procedures will be developed to guide the engagement of consultants. These procedures will include clear criteria for when and how consultants should be engaged, standardized approval workflows, documentation requirements, and performance evaluation metrics. Stakeholder engagement will be a key part of this process, with input sought from legal and operational teams to ensure the procedures are practical and compliant. Once finalized, the procedures will be implemented across the organization, supported by targeted training sessions and resource toolkits to ensure consistent adoption and understanding. The new procedure for Engagement of Consultants and Professional Service Providers will be completed by Q3-2026. As part of this work, and in alignment with the Business Case process, the criteria for engaging consultants will also be embedded into the business case template to support assessments that compare the use of external consultants against internal resources.

In parallel, procurement procedures are already being reviewed and updated regularly to reflect current best practices, compliance requirements, and operational needs. A formal review cadence has been established to ensure procedures are assessed on a consistent basis. The initial review involved a comprehensive audit of existing procurement processes, comparing them against legislative changes, industry standards, and internal feedback. Identified gaps and improvement opportunities have informed the revision of procurement documents and workflows. Updated procedures are communicated clearly to all stakeholders, accompanied by refresher training and updated resources to support smooth implementation. This ongoing review process will help maintain a high standard of procurement governance and operational efficiency.

A comprehensive schedule for the development and revision of procurement Policies and Procedures has been established. This plan includes the creation of four new Policies to be implemented by Q2 2027. In addition, three existing Policies are slated for updates to ensure they remain aligned with current standards and organizational needs. Alongside these efforts, Procedures and Directives will be either updated or newly developed to support consistent and effective procurement practices across the organization by Q4 2026.

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3. *Strengthen Reporting of Consulting Services for Better Oversight and Transparency*

In accordance with the City's Corporate Procurement Policy, the Director of Procurement Services shall prepare a summary information report on all procurement awards to Council. This report, entitled Procurement Activity Report and submitted to Council bi-annually, provides a breakdown of procurement activities by category, including construction, goods and services, IT, and consulting services. It includes a year-over-year comparison, showing changes in the total award amount for different categories of procurement.

However, the current report does not provide detailed information on the specific types of external professional and consulting services awarded or the business needs for such services. Other municipalities have requirements for comprehensive information reports of consultant use and the breakdown of the total costs utilized by each category.

Reports may be tailored to the needs of the audience at that time, leading to less emphasis on detailed specifics. Providing further detail ensures that Council and management have a clear and well-informed understanding of the rationale for engaging external expertise. Enhanced visibility into professional and consulting service procurements also strengthens accountability and helps ensure that public funds are used effectively and responsibly.

Recommendations

We recommend that Procurement Services strengthen the Procurement Activity Report to specify the types of consulting and professional services awarded (e.g., management consulting, IT consulting, engineering consulting) and the departments they support.

Management Action Plan

Management agrees with the recommendation.

The Procurement Activity Report provides a summary of competitive and non-competitive procurement contract awards applicable under the Corporate Procurement Policy, bi-annually and will be updated in Q3-2026 to include a detailed categorization of consulting and professional service contract awards. This will involve identifying and classifying services e.g. management consulting, IT consulting, and engineering consulting.

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4. Improve System Integration and Automation through Cross-departmental Collaboration

Following the 2020 Consulting and Professional Services Audit, Procurement Services has implemented technological solutions to monitor and keep track of procurement activities such as Purchase Order (PO) status and corporate Payment Credit Cards (P-Card) transactions. A PO Dashboard has been developed to provide all City staff with data about their PO status. The Dashboard is updated daily, and the data is pulled directly from JD Edwards (JDE). If a PO is expiring, the Procurement team requests approval from the client department to either close the PO or update its expiry date. P-Card Dashboards were implemented to extract data directly from the bank's P-Card system. This tool provides a centralized view of purchasing card transactions, enabling detailed tracking of expenditures across departments.

The following observations were made when reviewing these technological solutions:

- The PO Dashboard, which tracks purchase orders and related financial transactions, does not display all vendor invoices received and processed. Similarly, the Procurement Module in JDE does not provide a complete record of all vendor invoices captured and processed in the Financial Reporting Module.
- There is a lack of consistent reference to bid numbers in finance records and POs. Bid numbers are referenced on POs but inconsistently and across different fields. Tracking bids to financial records and POs requires manual effort.
- Procurement Services also identified other JDE-related technological issues, including manual processes for supplier forms, PO sign-offs, and PO distribution, lack of automated alerts, and limited access to financial invoice data, all of which hinder efficiency and data analysis.
- There is no automatic update of P-Card Dashboards. Dashboards are currently updated manually biweekly.

The current system setups and configurations in JDE and related tools have led to incomplete invoice capture, manual processes, and data access inconsistencies across modules. Issues such as missing bid number linkages stem from historical practices, though improvements are underway. Stronger cross-departmental coordination between Procurement Services, the Office of the Chief Information Officer (OCIO) and Financial Services will support more integrated and effective system improvements. Manual processes, data inconsistencies, and limited system automation reduce oversight, increase administrative effort, and hinder timely, data-driven decision-making. These issues compromise efficiency, accuracy, and progress toward the City's digital transformation goals.

During the audit, Procurement Services started working with OCIO to address these issues.

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Recommendations

It is recommended that Procurement Services work with the stakeholder departments such as OCIO and Financial Services to:

- Strengthen cross-departmental collaboration to jointly assess business needs, align system priorities, and oversee the planning and execution of technology-enabled solutions.
- Enhance data sharing and visibility across modules by reviewing system access policies and enabling secure, role-based access to financial and procurement information to support informed decision-making.
- Continue to explore the feasibility of automating data update of the P-Card Dashboards.

Management Action Plan

Management agrees with these recommendations.

Procurement Services is collaborating with the Office of the Chief Information Officer and Financial Services to address gaps, strengthen coordination, improve data access, and automate processes where feasible to help support more effective procurement oversight and help advance the City's digital transformation objectives. A Procure to Pay project is starting, should budget be approved, to proceed with initial assessments in Q2-2026. This project's timelines will be determined based on the assessment phase of the project.

In addition, due to the dependence on our P-Card Program provider, BMO, to provide an API integration to automatically update the P-Card data, Procurement Services will continue to explore other options for automation working with OCIO.

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5. *Ensure that Post-completion Lessons Learned and Performance Evaluations are Completed and Documented*

As a standard project management practice, post-completion lessons learned and performance evaluations help assess the quality of work and value for money received. They are also useful to assess the suitability of a consultant for future work, and to avoid repeated issues. In the context of consulting and professional services, post-completion lessons learned should assess any transfer of knowledge or skill from the consultant to staff.

Our review identified that, while most contract close-out activities, such as deliverable acceptance and final payment, were completed by client departments, post-completion lessons learned and performance evaluations were often not formally completed or documented. Per discussion with Procurement Services, the “Procurement Contract Close-Out” process has not been consistently enforced, and no formal template or checklist has been developed to support its documentation.

Due to the ongoing maturation of the City’s program management framework, standardized tools and templates are being developed progressively. On the procurement side, resource constraints have restricted consistent enforcement of the “Procurement Contract Close-Out”. The absence of formal post-completion lessons learned and performance evaluations for consulting contracts limits the City’s ability to assess service quality, ensure value for money, and track knowledge transfer to staff. This also hinders informed procurement decisions, raising project risks and costs.

During the audit, management has taken steps to improve the process. The City’s PMO has developed a standardized post-completion review template for capital projects, which is scheduled to roll out in 2025.

Recommendation

We recommend that Procurement Services and the PMO coordinate to:

- Continue to update the guidelines for post-completion lessons learned and performance evaluations. Continue the implementation of the formal post-completion lessons learned and performance evaluation forms, including sections for assessing consultant performance, deliverables, value for money, and knowledge transfer.
- Offer targeted training to departments on how and when to complete evaluations and document lessons learned.
- Assign responsibility to monitor compliance and ensure both lessons learned and performance evaluations are consistently completed and stored.
- Ensure that completed performance evaluations are referenced during the vendor prequalification or selection process to encourage performance accountability and continuous improvement.

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Management Action Plan

Management agrees with the recommendations.

Procurement Services is developing a Supplier Performance Policy to establish a standardized framework for evaluating vendor performance across all contract types, including consulting services. The policy will define key performance metrics (e.g., quality, timeliness, contract compliance), require consistent documentation, and ensure performance history is referenced in future procurement decisions. It will also address recurring poor performance and recognize high-performing vendors.

A Procurement Contract Close-Out Process will be implemented by Procurement Services for all current active competitive contracts and all non-competitive contracts awarded in 2026 onwards, to ensure all contractual obligations are fulfilled and key insights are captured. Once deliverables are accepted and final payments processed, the project manager will initiate the close-out.

PMO, as part of the close-out, will continue to conduct a Lessons Learned review with project teams, as applicable to the project. This structured debrief will identify successes, challenges, and recommendations for future improvement. The findings will be documented using a standardized template and stored in a centralized repository to support continuous learning and better planning for future procurements.

A Supplier Performance Evaluation will also be completed, assessing vendor performance across defined criteria. This will be submitted to Procurement Services and stored as part of the vendor's performance record. All close-out documentation will be archived in a centralized system, with compliance monitored by Procurement Services (for evaluations) and the PMO (for lessons learned).

To support consistent application, targeted training will be provided to departments on completing evaluations and lessons learned.

Compliance with the close-out process will be monitored, and completion rates will be reported to senior leadership to ensure accountability and consistent application across departments bi-annually.

Timelines:

Q3 2025: Supplier Performance Policy to Council

Q4 2025: Evaluation forms finalized; training launched

Q2 2026: Full implementation and compliance tracking

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6. Continue to Enhance Management Oversight on Legal Consulting Expenditures

During the audit, it was noted that a substantial portion of the City's combined 2023 and 2024 operating consulting expenditure (approximately \$2.7 Million and 77%) was attributed to external legal consulting services. Under Canadian trade agreement, legal services are excluded/non-listed services due to their sensitive nature and the need for confidentiality and independence. As a result, this exempts legal services from competitive procurement. Procurement procedures identify that the Legal Services Department will periodically conduct open Vendor of Record (VOR) competitions to establish an approved Legal Services VOR list, from which external legal service providers are selected. The City Solicitor also has the discretion to engage legal service providers outside the VOR list, in accordance with the exemption under the Corporate Procurement Policy.

Our review of the external legal consulting services had the following observations:

- The selection of external legal services versus the use of internal legal resources is guided by an assessment of business needs, including the complexity, urgency, and specialization required for each matter. Historically, while internal discussions and professional judgment informed decisions, there was no standardized framework in place to consistently record the rationale for choosing external over internal legal support. To address the issue, an External Legal Services Approval Form has been implemented in Q2 2025 to formalize and document the decision-making and approval process.
- Legal firms that are not on the approved VOR list were engaged for specialized services. While no formal, structured evaluation process was conducted for these engagements, selections were based on the department's empirical experience and judgment regarding quality, responsiveness, and cost-effectiveness.
- Formal vendor evaluations, as required under the City's procurement procedures, have not been completed to date. While the department has not used the formal evaluation template or process, management maintains close oversight of vendor performance through regular engagement with external counsel and internal feedback.

Per discussion with management, the aforementioned practices related to the informal engagement and oversight of external legal services are historical in nature and reflected the absence of formalized processes and frameworks at that time. These practices increased risks related to procurement fairness, value for money, and policy compliance, while also exposing the City to potential reputational, and performance concerns.

During the audit, management has taken steps to enhance governance, transparency, and compliance with corporate procurement policies. The Office of the City Solicitor is committed to adhering to the same best practices related to procurement, financial controls, and vendor management.

Recommendations

It is recommended that the Office of the City Solicitor:

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- Continue to implement and enforce the External Legal Services Approval Form to standardize the decision-making and approval process for engaging external legal counsel.
- Begin using the City's standard vendor evaluation process for all external legal counsel engagements to ensure formal, documented vendor performance assessments.

Management Action Plan

Management agrees with the recommendations.

An External Legal Services Approval Form was created and has been implemented. Legal leadership provided training to legal staff earlier this year to implement the use of the new External Legal Services Approval Form. All existing and future matters requiring external legal services will be approved through the approval form process. More specifically, prior to the retainer of external legal services the form must be completed and approved by the Deputy City Solicitor and/or City Solicitor, as appropriate. A copy of the approved form will be recorded and maintained.

Effective immediately, the Office of the City Solicitor will complete annual performance reviews in accordance with the City's Vendor Performance Policy. The first annual vendor performance reviews for the legal firms engaged during 2025 will be completed in Q1 2026.

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7. Implement Additional Verification of PO General Ledger Distribution

General ledger (G/L) distribution refers to how expenditures are allocated to specific G/L accounts. According to the City's procurement procedures, the G/L distribution of expenditures can be indicated at various procurement stages, including the creation of POs. This is done by the client departments and may be single or multi-line distribution. If G/L details on a PO need changes, the client department must contact Procurement Services.

Our review of the G/L distribution on POs identified three instances of incorrect classification that required correction. These errors often occur when staff select incorrect account codes, particularly when distinguishing between consultant and contractor classifications.

Discussions with various project managers (PMs) revealed that G/L distribution errors are primarily clerical in nature, resulting from the lack of a secondary review or proofreading process before POs are finalized. Per discussion with Finance representatives, misclassifying contractor and capital consulting costs has a minimal impact on capital asset accounting, as both can be capitalized; however, it was acknowledged that accurate account coding is still important for proper reporting, even though variances are mainly reviewed at the total cost level.

During the audit, the PMs of various departments have implemented additional verification step or proofreading process. The administration staff responsible for creating the PO's, have been directed to confirm the code type with the project teams as additional verification prior to submitting the request to Procurement Services. Internal Audit is satisfied with the actions management has already taken to address the risks identified in this observation. We have no further recommendations at this time.