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Memorandum

To: THE AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS
of the Independent Electricity System Operator

From: Susan Nicholson,
Director of Finance, Corporate Controller

Date: May 28, 2018

Re: Procurement Update

IESO Procurement Controls:

Further to the MRP Process Procurement Audit; the following outlines the centralized controls that are in place at the IESO to mitigate risk of non-compliance with IESO Procurement Standard and OPS Procurement Directive.

- Centralized function in Corporate Services to:
  - oversee compliance and interpretation of Government Directives, Finance Policy, OAR and IESO Procurement Standard; including central contact for updates;
  - provide industry expertise and guidance related to procurement strategies to clarify requirements and ensure value for money, fairness and transparency;
  - work directly with Legal Services to assess and mitigate risk to the IESO.
- Ensures appropriate separation of duties related to the procure-to-pay process, including but not limited to:
  - acting as a fairness advisor during the procurement process and act as a single point of contact for all vendors during a competitive solicitation;
  - segregating duties between the creation of new vendors and the approval of purchase orders and invoice payments

- System Controls that include:
  - Requirement for a Purchase Order to be in place and approved prior to releasing payments in excess of $15,000.
  - Mandatory requirement to contemplate and commit to Total Procurement Value at the time of Purchase Requisition that is in line with original estimation.

- System restrictions that prevent an invoice to be processed above an approved PO value
- Additional approvers required for non-competitive purchases, including Corporate Controller
- Automatic identification of non-competitive status for increases in TPV
- Restriction on selection of non-competitive criteria (allowable exception) through system programming and procurement review of all requests for purchases
- System restrictions that prevent the double payment of any invoice (restricts the entry of the same invoice number for any vendor)
- Management approval required for the creation of new vendors

Non-Competitive Procurements awarded during the reporting period of September 1 2017 through March 31 2018 that are greater than $75,000

Division	Vendor Name	Value	Services	Allowable Exception
[redacted]				
Corporate Services	KPMG LLP	$1,721,200.00	Accounting advisory services were required in relation to the application of Public Sector Accounting Standards (PSAS) to the consolidation of a trust and to the recognition of a variance account in relation to the Ontario Fair Hydro Plan Act, 2017. Advice was necessary for complex technical accounting issues as well as guidance on the inter-related implications of various accounting changes to the IESOs process, systems, people and other related business relationships and operations. It is anticipated that this work will continue to be required through Q3/Q4 2018. KPMG has an ongoing contract in place for the provision of audit services which includes, in addition to the annual audit services provided, ad-hoc audit, tax and accounting advisory services. These services are within the terms and scope of that agreement	Where only one supplier is able to ensure compatibility with existing products and services
[redacted]				

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Division	Vendor Name	Value	Services	Allowable Exception
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Division	Vendor Name	Value	Services	Allowable Exception
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