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Competitive Procurement Evaluation Process Audit

August 28, 2017

The Office of the City Auditor conducted this project in accordance with the *International Standards for the Professional Practice of Internal Auditing*

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Executive Summary

The City of Edmonton spends approximately \$1 billion annually on a wide range of goods, services, construction, and intellectual property rights. The objective for this audit was to assess whether the competitive procurement evaluation process is conducted in a fair, open, transparent and accountable manner (procurement principles) and that the City receives best value.

We observed some procurement files were done well while others lack consistency and have room for improvement. We found that the City can improve its competitive procurement process in order to better align with the procurement principles (fair, open, transparent, accountable, and receiving best value). We observed numerous activities in our detailed procurement file review which challenge or appear contrary to the procurement principles and as such have identified several opportunities for improvement.

We have described the competitive procurement evaluation process in two stages; preparation of tenders and evaluation of bids. The preparation of tenders includes all work relating to the development of a tender package, evaluation plans, and issuance of the tender. The evaluation of bids includes the receipt, assessment of mandatory and business requirements, and award of tender.

Relating to the preparation of tenders we recommend that Corporate Procurement and Supply Services Branch:

- 1) Ensure that the mandatory requirements set out in the tender documents are essential to the needs of the business area and easily identifiable.
- 2) Develop a strategy to assist business areas in determining the appropriate tender weighting for price and evaluated business requirements.
- 3) Ensure that all tender evaluations include an appropriate number of evaluators, identify all evaluators participating prior to bids being evaluated, and that

evaluators with a known conflict of interest are not allowed to participate in the evaluation.

- 4) Ensures that rationale for addenda are clearly documented and that adequate time is provided to bidders when addenda are issued.
- 5) Ensures tender open periods set out in tender documents adhere to minimum guidelines such that all potential bidders have sufficient time to prepare bids.

For the evaluation of bids process we also observed several opportunities and recommend that Corporate Procurement and Supply Services Branch:

- 6) Establishes minimum targets for expected bid responses to tenders, and consider the option to cancel or re-tender when there is an insufficient response.
Additionally, in cases where the City does not cancel or re-tender, we recommend that justification be included in the procurement file.
- 7) Prepare a checklist or similar document to record the review of all mandatory requirements and that this document be signed and dated by all parties participating in the review.
- 8) Ensure that the results of bid evaluations completed by individuals and teams are signed, dated, and retained in the procurement file and that the rationale for the final score assigned for business requirements is documented.

Competitive Procurement Evaluation Process Audit

1 Introduction

The City of Edmonton enters into a significant number of contracts each year for the procurement of a wide variety of goods and services. These range from simple purchases, such as office supplies and custodial services, to high complexity services, such as architectural and engineering services and construction delivery services for the City's major infrastructure projects.

This audit assessed how well the City's competitive procurement evaluation process and practices align with the four public procurement principles (fairness, openness, transparency, and accountability) and whether the City receives best value.

The City uses a variety of terms to describe different competitive procurement transactions. Each serves a specific purpose but, the basic evaluation process is the same. To simplify our observations we use the term "tender" to describe all types of competitive procurement that includes an evaluation process (i.e., request for proposal, negotiated request for proposal, and pre-qualification). The term "bid" is used to describe the bidder's response to a City's tender.

2 Background

2.1 City Procurement

Procurements are purchases made either through a competitive or a non-competitive process. The City of Edmonton spends approximately \$1 billion annually on a wide range of goods, services, construction, and intellectual property rights. Following are the general definitions for the two methods:

Competitive Procurement:

A competitive procurement is a purchasing method in which the City publicly advertises a tender opportunity and interested suppliers may submit bids to provide for goods, services and construction. Bids which meet mandatory requirements are then evaluated using objective evaluation criteria. The City also engages in limited competition procurement whereby business areas must prepare a list of invited vendors and also document reasons for using this selected list.

Non-Competitive Procurement:

A non-competitive procurement is a purchasing method used by the City in which an open bid process is not undertaken. Under this process a supplier is directly awarded a contract. The City defines two types of non-competitive procurements; sole and single source procurements.

2.2 Competitive Procurement Process and Roles

The Corporate Procurement and Supply Services Branch (CP&SS) in the Financial and Corporate Services Department is the competitive procurement authority for the City. The Branch is ultimately responsible for ensuring that competitive procurement processes are conducted in a fair, open, transparent and accountable manner.

Both CP&SS and the City business areas play a role in the preparation of the tender and the evaluation of bids. Business areas are responsible for defining specific business requirements to be included in a tender, preparing a bid evaluation plan, and evaluating bids received. CP&SS is responsible to prepare the final tender package, publicly issue the tender, receive bid responses, review bids for mandatory compliance, oversee the department evaluations, and issue tender awards.

2.3 Changes to Competitive Procurement Process

Administrative Directive A1439C, Procurement of Goods, Services and Construction, (effective date March 31, 2014 to April 21, 2017) outlined the guiding principles (fairness, openness, transparency, accountability), and best value for money spent, and

established procedures and processes for the procurement of goods, services and construction for the City.

In 2015, CP&SS issued “Guidelines for Conducting a Tender/RFP Evaluation Process.” These guidelines provided business areas a template for the preparation of a tender evaluation plan, guidance on determining mandatory requirements and evaluative criteria, and guidance on evaluating tender responses.

In 2016, CP&SS enhanced the guidance provided for competitive procurement by setting up an on-line “Procurement Reference Guide.” This on-line tool was intended to help departments understand the procurement process and their roles and responsibilities.

Also, in 2016, the OCA completed the Sole and Single Source Audit. We recommended that Administrative Directive A1439C for procurement be revised to improve clarity on the process and on the roles of CP&SS and business areas and that further training be provided. We also recommended that supporting documentation on sole and single source procurements be received and reviewed by CP&SS as part of their oversight role.

In April 2017, Administrative Directive A1465 titled “Procurement” was approved which replaced Directive A1439C. As stated in the new directive “The City expects that procurements will be conducted in a fair, transparent, and accountable manner that achieves best value for the City and supports Council’s environmental, social, and economic objectives.” Accompanying procedures to Directive A1465 for competitive procurement and non-competitive procurements have been developed.

2.4 Procure to Pay Initiative

In 2016, CP&SS introduced the Procure to Pay initiative to look at the City’s entire procurement and contracting procedures from beginning to end. This project includes the development of new procurement administrative directives, more comprehensive procedures and guidelines, and training courses designed to suit different staff needs.

In early May 2017, CP&SS hosted open houses to inform City staff on changes taking place under the Procure to Pay initiative. The information provided covered new and enhanced Administrative Directives, procedures and guidelines; delegation of authority; training programs; monitoring and reporting tools; and restructuring of the CP&SS Branch.

We monitored the progress of the Procure to Pay initiative as this audit progressed to determine how the changes could impact our observations. In addition to discussing the initiative and best practice with CP&SS management, we attended one of the open houses and reviewed the directives, procedures, guidelines and training materials.

The following are the outputs from the Procure to Pay initiative that will have the greatest potential to improve the competitive procurement evaluation process:

- The directives, procedures and guidelines provide greater detail on the process and the tone of the documents conveys the need to follow process described rather than suggesting the process be followed. This information is available to all City staff and readily available to vendors increasing the transparency of the process.
- The training program includes courses that provide instruction on how to write the scope and requirements sections of a tender document, the importance of the public procurement principles, preparing evaluation plans and evaluating bid responses.
- Instructions to bidders and tender templates are being revised to provide greater clarity on mandatory requirements and simplify their completion.
- The restructuring of CP&SS aligns their service delivery with the City's organizational structure and introduces a continuous improvement function. The restructuring also allow the opportunity to transition the role of their staff from a more advisory role to a more authoritative role which will increase the consistency of the process and application of the public procurement principles.

3 Audit Objectives

3.1 Objective

This audit assessed how well the City’s competitive procurement evaluation process aligns with the four public procurement principles (fairness, openness, transparency, and accountability). It also included a review of the competitive procurement evaluation processes and practices to ensure the City receives best value for money.

3.2 Audit Criteria

We used the following criteria to assess the competitive procurement evaluation processes and practices.

Table 1 – Audit Criteria

Criteria	Description
Fairness	The City uses non-biased contract tendering practices, from writing contract specifications to evaluating and awarding contracts.
Openness	All qualified suppliers have an equal opportunity to compete for City contracts and supplier pre-qualification.
Transparency	The City’s practices and processes are easily accessible and understandable by the marketplace. The public and potential suppliers can easily obtain contract tendering information including the City’s bid processes, tender documents, and award results.
Accountability	The City takes ownership in ensuring the efficiency and effectiveness of the procurement and contracting process and its responsibilities to stakeholders, including suppliers and the public.
Best Value	Best value represents: <ol style="list-style-type: none"> 1) Best available outcome for the money spent in procuring the business area’s needs. 2) Best possible outcome for the total cost of ownership. 3) Optimum combination of full life cycle costs and quality of the good or services to meet the user’s requirement.

4 Scope and Methodology

4.1 Scope

We audited a representative sample of tenders that were posted and evaluated between January 2015 and October 2016. The audit included assessing:

- All types of competitive procurement that involves bid evaluation.
- The development and communication of price and evaluation weighting.
- The evaluation plan, process, and documented results.
- That there is an appropriate level of independent oversight of evaluation activities.

Review of competitive procurement transactions for Edmonton Police Service, Edmonton Public Library, and Valley Line LRT are out-of-scope for this audit. All non-competitive procurements (Sole and Single Source) were excluded for this audit.

4.2 Methodology

We completed five major activities in this audit. The following summarizes the five activities.

1. A risk identification and assessment of the evaluation process to determine the areas of greatest exposure. We used this to develop our audit objective and criteria.
2. Review of City procurement directives, procedures, guidelines, and training materials. We used this to assess the adequacy of the guidance given to City employees.
3. Research to benchmark City practices and identify potential areas of improvement.
4. Interviews with professional associations that represent businesses who supply services to the City which we used to gain an understanding on their perception of City practices.
5. Review of competitive procurement transactions to determine if actual tender practices aligned with City procedures and the public procurement principles.

5 Observations and Recommendations

Overall we found that the City can improve its competitive procurement process in order to better align with the procurement principles (fair, open, transparent, accountable), and receiving best value. We observed numerous activities in our detailed procurement file review which challenge or appear contrary to the procurement principles and, as such, have identified several opportunities for improvement.

For the purpose of this audit, we reviewed the City’s competitive procurement process in two main stages; preparation of a tender and the evaluation of bids received.

5.1 Preparation of a Tender

The preparation for a tender begins with the business area identifying a need for goods or services. CP&SS, in consultation with the business area purchaser, will determine the most appropriate competitive procurement approach. Business area purchasers must ensure budget funds are in place. Next, the business area will develop the description of goods or services as well as determine the price and evaluation weighting, and evaluation criteria for the tender. CP&SS, in consultation with the business area, will prepare the final tender document and obtain necessary legal reviews. CP&SS will then publicly issue the tender. CP&SS will issue addenda for any required changes to the tender. The business area is also responsible to prepare a tender evaluation plan used by the Evaluation Committee in evaluating bid responses to the tender. This plan must be finalized prior to the tender closing date.

The following observations highlight issues we identified in our audit testing relating to the City’s process for preparation of a tender.

5.1.1 Identification of mandatory requirements

Mandatory requirements represent essential requirements contained in a tender. Mandatory requirements must be clearly specified and there should be no need for interpretation or judgement as to whether or not they have been met. The City’s

Guidelines for Conducting a Tender Evaluation states that bids are to be disqualified if a single mandatory requirement is not met. Within the City’s competitive procurement process there are three main types of mandatory requirements:

1. Procurement Mandatory Requirements – These include requirements that are built into standard tender templates. Examples include tender closing date, time of close, and ensuring bids are signed by a company official. CP&SS reviews all bids for compliance to procurement mandatory requirements.
2. Business/Technical Mandatory Requirements – These essential requirements are defined and evaluated by the business area. Examples of business/technical mandatory requirements include ISO certification, Workers Compensation Board registration and safety certification.
3. Contractual Mandatory Requirements – These are legal requirements such as proof of insurance that the successful bidder must meet before entering into a contract.

We reviewed tender documents to determine if mandatory requirements were:

- Easy to identify, understandable, and communicated in a consistent manner; and
- Minimized to reflect only essential requirements in order to increase the probability of increasing competition and receiving qualified bids.

Overall we found that mandatory requirements were not easy to identify in the tender documents and that the City tenders included a variety of statements relating to mandatory requirements. Example of statements relating to mandatory requirements included:

“Mandatory requirements are found throughout the tender documents and are characterized by use of the words: must, shall, will, mandatory, and required.”

“There are no mandatory requirements for this tender.”

“Compliance with all specifications and appendices.”

We observed that the City’s current tenders require bidders to look for mandatory requirements throughout the document. This may discourage vendors from submitting bids. Inconsistencies in how mandatory requirements are identified in different tenders can create confusion for potential bidders. Excessive mandatory requirements can result in a bidder being disqualified for not meeting a single mandatory requirement because they missed it in the tender document. As previously stated, mandatory requirements should only be used when communicating the essential needs of the business area in order to increase competition and should be easily identifiable.

Feedback received from associations we interviewed supported the need for clearer identification of mandatory requirements. Our best practice research suggests that organizations should summarize mandatory requirements in one area of the tender documents or label them for easy identification. We also observed that other procurement organizations such as the Government of Canada, Provinces of Alberta and British Columbia provide stronger tone and clarity regarding the use of mandatory requirements.

OCA Conclusion

Currently mandatory requirements in City tender documents are not easy to identify and do not reflect only essential business requirements which creates an unfair environment and reduces competition.

Recommendation 1 - Identification of Mandatory Requirements

We recommend that the Branch Manager of CP&SS ensure that the mandatory requirements set out in the tender documents are essential to the needs of the business area and easily identifiable.

Management Response

Accepted

Action Plan: The Branch Manager of Corporate Procurement & Supply Services will ensure that all tender documentation templates have been revised to organize mandatory requirements into a clear and organized fashion.

Additionally, guidelines for the establishment of mandatory requirements will be documented and procurement staff within the CPSS Branch will be trained to ensure a consistent approach to procurement opportunities published by the City of Edmonton.

Planned Implementation Date: March 31, 2018

Responsible Party: Branch Manager, Corporate Procurement & Supply Services

5.1.2 Price and evaluation weighting

A key decision in preparing a tender is to determine how much of the tender's evaluation should be based on price and how much should be based on evaluation of business requirements. A tender can be awarded entirely on price in which case the qualified bidder with the lowest price is awarded the tender. If the tender is based on a combination of price and evaluated business requirements, then the qualified bidder with the highest points is awarded the tender.

The City's Guidelines for Conducting a Tender Evaluation indicates that business areas must determine percentages for each evaluated business requirement in the tender document. However, there is no guidance provided in determining the appropriate percentage balance between price and overall evaluation business requirements.

Research suggests that the importance assigned to the price and evaluation weighting will vary, depending on type of procurement, complexity, size, and clarity of the tender. We found research indicating:

- Tenders that are simple or have a clearly defined scope of work and requirements should be heavily weighted toward price. (For example, purchasing a product or constructing a basic structure.)
- Tenders that are highly complex or have vaguely defined scope of work (i.e., lack of clarity) should be heavily weighted toward evaluated business requirements.

The following table summarizes the distribution of weighting we observed in our sample of 86 tender files. We reviewed 33 Construction tenders, 38 Goods & Services tenders, and 15 Professional Services tenders. The weightings for these tenders ranged from 100% price and 0% evaluation to 10% price and 90% evaluation.

Table 2 Tender Price and Evaluation Weighting

Weighting	Number of Tender Files		
	Construction	Goods & Services	Professional Services
100% Price	15	5	--
90% Price, 10% Evaluation	--	2	--
80% Price, 20% Evaluation	7	--	--
70% Price, 30% Evaluation	6	1	--
60% Price, 40% Evaluation	1	4	--
50% Price, 50% Evaluation	1	6	1
40% Price, 60% Evaluation	2	3	2
30% Price, 70% Evaluation	--	11	1
20% Price, 80% Evaluation	1	5	3
10% Price, 90% Evaluation	--	1	8
100% Evaluation	--	--	--
Total Files Reviewed	33	38	15

As shown above, we observed that the City's construction tenders are heavily weighted towards price however goods and services tenders are weighted towards evaluation. Professional services, as expected are heavily weighted towards evaluation.

Based on our detailed review of 86 files, we found 19 tenders were assigned a weighting that may not be appropriate for the type of transaction:

- Twelve tenders for the purchase of goods or services with well-defined scope had price weighted below 50%. Our research indicates tenders with well-defined scope should be heavily weighted toward price.

- Two construction tenders for unique structures were evaluated as 100% price. The unique features can result in higher risk situations. Higher risk conditions should be evaluated with some weighting for evaluated business requirements.
- Four tenders were executed through a pre-qualification process which requires the pre-evaluation of vender business requirements in order to be invited to bid on a future tender. Those vendors invited to bid were evaluated on business requirements a second time during the tender evaluation process. We believe the weighting for price could have been higher or the award fully based on price rather than re-evaluating business requirements a second time.
- One tender classified as professional design services included the construction of the facility. We believe the weighting for price could have been higher to reflect the construction portion of the tender.

OCA Conclusion

Without a price and evaluation weighting strategy, inconsistencies in the weighting of tender price versus evaluated business requirements can result in the tender evaluation process being perceived as unfair.

Recommendation 2 Tender Price & Evaluation Weighting
We recommend that the Branch Manager of CP&SS develop a strategy to assist business areas in determining the appropriate tender weighting for price and evaluated business requirements.
Management Response
<p>Accepted</p> <p>Action Plan: The Branch Manager of Corporate Procurement & Supply Services will, through the Procure to Pay initiative, ensure the implementation of training material for City staff to improve knowledge around how the impact of decisions made in developing the procurement strategy and evaluation plan affect the evaluation and selection of suppliers in the procurement process.</p>

Planned Implementation Date: December 31, 2017

Responsible Party: Branch Manager, Corporate Procurement & Supply Services

5.1.3 Preparing a Tender Evaluation Plan

The Tender Evaluation Plan is an internal document prepared by the business areas and approved by CP&SS. In addition to the scoring matrix and scoring guide, this document identifies the individuals assigned to the Evaluation Committee and their roles and responsibilities. It is important that the Evaluation Committee include staff with the appropriate mix of technical and practical knowledge and skills.

We reviewed the tender evaluation plans to determine whether:

- An appropriate number of evaluators exist on the evaluation committee.
- All evaluation committee members were identified in the tender evaluation plan and that the assigned team were appropriate to complete the evaluation.
- All evaluation committee members signed the “Obligation Acknowledgement Form” prior to participating in the evaluation of bids. By signing the Obligation Acknowledgement form, evaluation committee members confirm their roles and responsibilities and that there is no conflict of interest with any of the bidders.

Appropriate Number of Evaluators

Our best practice research suggests that there should be a minimum of three evaluators for tenders requiring evaluation of business requirements. We found four tenders involving evaluations (not 100% price) which were evaluated by one staff member which could be perceived as being unfair.

Evaluation Committee

We found that evaluators were not identified for 29 of the tender files we reviewed requiring an evaluation committee (not 100% price). Therefore, we are unable to determine who officially was on the Evaluation Committee to review the bids. We also noted the working relationship amongst the members is not identified. Therefore, we were unable to determine the appropriateness and independence of each member.

Obligation Acknowledgement Form

For the 86 files we reviewed, 20 were 100% based on price and did not require an evaluation and Obligation Acknowledgement form. We found that 43 out of the remaining 66 files (65%) of files contained Obligation Acknowledgement forms which were signed and dated prior to the start of the evaluation process. We also noted irregularities in two files:

- An appointed member for one tender indicated a potential conflict of interest but was permitted to participate in the evaluation.
- One tender file included correspondence which indicated the evaluator was biased toward one bidder. This evaluator was permitted to participate in the evaluation.

OCA Conclusion

The City would have difficulty demonstrating its evaluation process was fair and unbiased due to the lack of adequate supporting documentation.

Recommendation 3 Evaluation Plan

We recommend that the Branch Manager of CP&SS ensure that all tender evaluation plans include an appropriate number of evaluators, identify all evaluators participating prior to bids being evaluated, and that evaluators with a known conflict of interest are not allowed to participate in the evaluation.

Management Response

Accepted

Action Plan: Through the Procure to Pay initiative, guidelines have been established in April 2017 that identify the appropriate number of evaluators, and the obligations of evaluators with respect to potential conflicts of interest.

Additionally, an Administrative Procedure is being developed that identifies the duties of City staff in identifying and determining the relevance of conflicts of interest with

former City staff in the procurement of goods and/or services for City business.

The Branch Manager, Corporate Procurement and Supply Services will ensure that relevant information is included in the formalized training curriculum developed for City staff on the evaluation of procurement opportunities.

Planned Implementation Date: December 31, 2017

Responsible Party: Branch Manager, Corporate Procurement & Supply Services

5.1.4 Managing tender changes

CP&SS uses addendums to the tenders to officially advise all interested bidders of any additions, deletions, changes, and/or to clarify the information contained in the original tender or previous addendums. CP&SS decides when to issue addenda through their interaction with the business areas and enquiries by potential bidders. CP&SS is responsible to issue all addenda to ensure fairness in terms of all bidders having the same information.

CP&SS posted addenda for 83% of the 86 tender files we reviewed. In most cases they only posted one or two addenda per tender. However, in 16 cases they posted 5 or more addenda. One tender file had 13 addenda posted.

Our review of addenda was to determine whether:

- There was documentation on file that supported the need for the addenda.
- The City provided bidders with a reasonable amount of time to review and respond to addenda before the close of the tender.

Documentation

We observed that CP&SS did not consistently document the rationale or support for addenda. For example, we found a case where they accommodated a request to change the closing date by a bidder by issuing an addendum, but a subsequent request by another bidder was not accommodated. In another case, a bidder questioned the departmental

requirement and the addendum was made to lessen the requirement. In both these cases, there was no rationale on file as to why these changes were made.

Reasonable Time

There is currently no City guidance on the minimum number of days that addenda can be issued prior to tender close. We identified seven tenders in which CP&SS issued an addendum the day of or one day before the tender closed. In addition there were six tenders where they issued the addenda two days prior to close. Even if closing dates are extended, this is an unfair practice for vendors who have already completed bid submissions.

OCA Conclusion

The issuance of addenda must be adequately documented to support the addenda and should be issued within a reasonable time prior to closing date in order for this process to be perceived as fair.

Recommendation 4 Documentation of Addenda

We recommend that the Branch Manager of CP&SS ensures that rationale for addenda are clearly documented and that adequate time is provided to bidders when addenda are issued.

Management Response

Accepted

Action Plan: The Corporate Procurement and Supply Services Branch has recently included the rationale for addenda and changes to the procurement opportunities throughout the procurement lifecycle as part of the Procurement Outcome report that is signed off prior to the award of a contract.

Additionally, with the recent implementation of the Canadian European Trade Agreement (CETA) and the Canadian Free Trade Agreement (CFTA), additional requirements regarding the issuing of addenda and their impact on procurement

opportunities have been identified and will be incorporated into current procurement processes.

Planned Implementation Date: December 31, 2017

Responsible Party: Branch Manager, Corporate Procurement & Supply Services

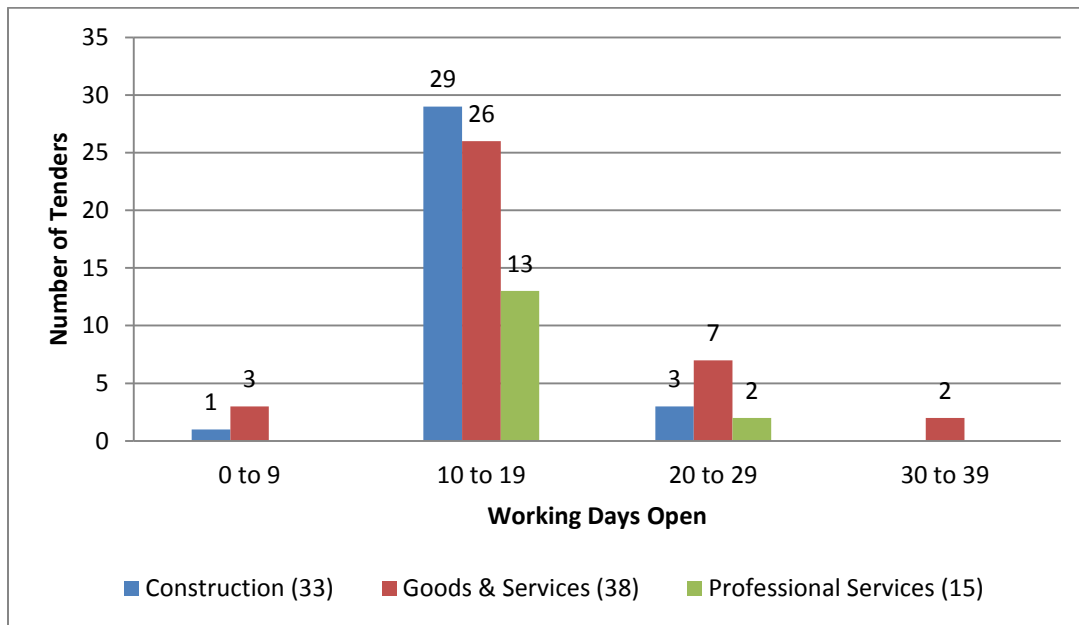
5.1.5 Tender open period

The tender open period is the length of time between the opening date of the tender and the closing date. The City has established guidelines for the period of time tenders should be open. The tender open period for construction and goods and services tenders is 10 to 30 working days and for professional services is 15 to 45 working days.

Our best practice research suggests that other organizations' competitions remain open for longer periods of time. For example, the City of Calgary's guidelines for construction projects indicate a minimum of 15 business days after posting. The Government of Canada states the solicitation period must not be less than 40 calendar days. The new Canadian European Trade Agreement (CETA) specifies that a solicitation period of 40 days for open tenders. CP&SS have indicated that they are currently reviewing CETA and CFTA (Canadian Free Trade Agreement) with the intention of incorporating these into City guidelines as well as training staff for compliance.

Chart 1 below illustrates initial tender open periods (as indicated in the original issued tender) for the 86 tender files we tested. We observed that 4 tenders were open for less than 10 working days, 68 tenders were open for 10 to 19 working days, 12 tenders were open for 20 to 29 working days and 2 tenders were open for more than 30 or more working days.

Chart 1 – Tender Open Period (Initial)



Overall the planned tender open period is generally within the range set by CP&SS. However, our analysis shows that for the majority of tenders, the open period is at the low end of the established guidelines set by the City. However, as shown above, 4 of the tenders did not meet the City’s guideline of initially being open for 10 working days. When compared to best practice research, the majority of City tenders have a shorter tender open period.

Furthermore, our analysis shows that CP&SS extended the closing dates for 42% of the tenders we reviewed. CP&SS can extend the closing dates using the addenda process for a number of reasons including major changes to work requirements, responding to questions to clarify requirements, and if the vendor requests more time.

Two professional associations provided comments indicating that tenders for larger or more complex projects should be open for a longer period of time and that responding to multiple addenda discourages competition.

OCA Conclusion

The City's tender open period is towards the lower end of suggested guidelines. This could have the potential to discourage bidders to respond and therefore limit competition, impacting best value and the perception of fairness.

Recommendation 5 Tender Open Period

We recommend that the Branch Manager of CP&SS ensures tender open periods set out in tender documents adhere to minimum guidelines such that all potential bidders have sufficient time to prepare bids.

Management Response**Accepted**

Action Plan: With the recent implementation of the Canadian European Trade Agreement (CETA) and the Canadian Free Trade Agreement (CFTA), minimum open periods for tenders have been identified to ensure bidders are not at a disadvantage in responding to opportunities. These requirements have been identified and will be incorporated into current procurement processes to ensure compliance.

Additionally, the Corporate Procurement and Supply Services Branch will review tender open period standards with similar organizations (including municipalities and other orders of government) and establish a baseline that meets or exceeds CETA and CFTA standards. Any changes will be documented and communicated to procurement staff to ensure consistent implementation for all City competitive procurement opportunities.

Planned Implementation Date: December 31, 2017

Responsible Party: Branch Manager, Corporate Procurement & Supply Services

5.2 Evaluation of Bids

The evaluation of bids stage begins following the closing date of the tender and receipt of all bids. The evaluation begins with CP&SS reviewing all bids for compliance with procurement mandatory requirements. CP&SS will forward only those bids that meet all

procurement mandatory requirements to the business area's Evaluation Committee. The Evaluation Committee will then evaluate each bid to ensure they meet the business mandatory requirements. The Evaluation Committee next evaluates and scores only those bids meeting business mandatory requirements. The bid submission with the highest score is identified to CP&SS who reviews the Evaluation Committee's recommendation. CP&SS ensures the bidder meet the contractual mandatory requirements to enter into a contract before notifying the successful bidder that he is awarded the contract. Finally, CP&SS publishes the award notification and if requested, will debrief any bidders on the evaluation results.

The following observations highlight issues we identified through our audit testing of the City's process for evaluation of bids.

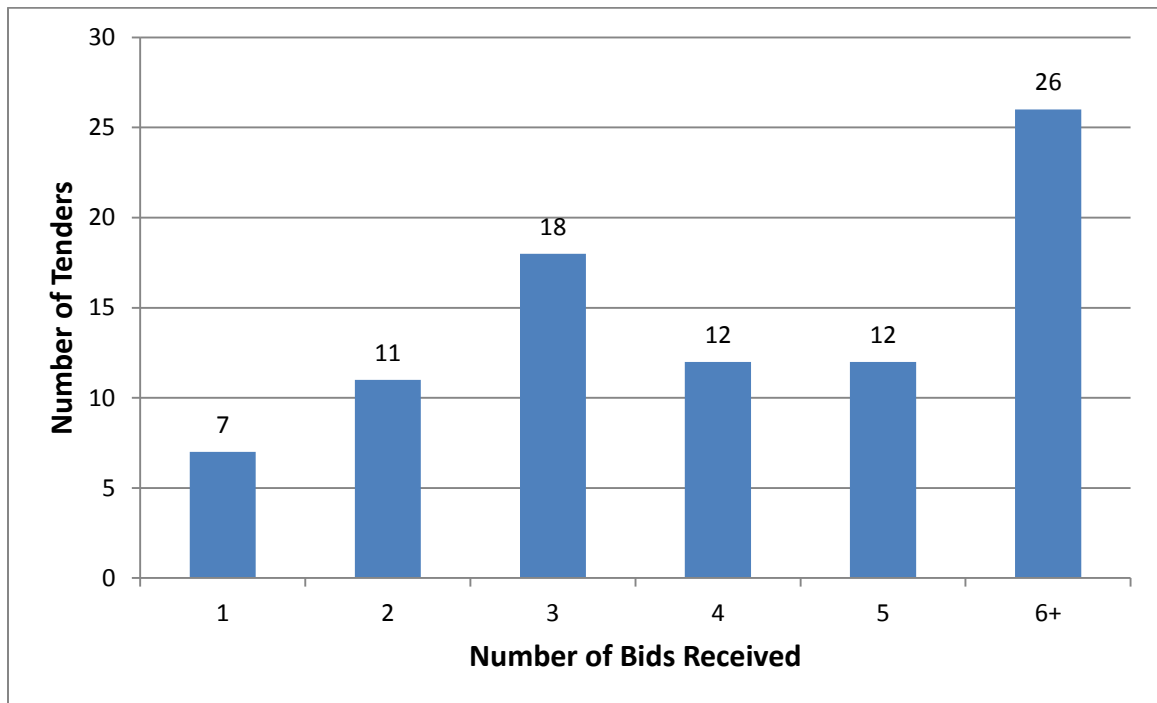
5.2.1 Insufficient response to tenders

A competitive procurement should attract multiple bids. The City's tender documents include the following statement related to insufficient response to a tender, although sufficient is not defined:

“The City may cancel this Tender if the City receives an insufficient number of bids to allow the City to make comparisons between multiple bids or if the bids received are not satisfactory to the City.”

Chart 2 on the following page shows the distribution of the number of bids received for the 86 tenders we reviewed.

Chart 2 – Bid Responses to Tenders



For the 86 tender files we reviewed, the City received 415 bid responses, for an average of approximately 5 bids per tender. There were 18 tenders (21%) that had 2 or less bid responses. CP&SS did not cancel any of these tenders or document that they even considered cancelling them.

OCA Conclusion

CP&SS is not exercising its option to retender competitive procurements when a low number of bid responses are received. Consideration should be given to cancelling or re-tendering when there are an insufficient number of bid responses to a tender in order to ensure the City receives best value.

Recommendation 6 Insufficient Bid Response to Tenders
<p>We recommend that the Branch Manager of CP&SS establishes minimum targets for expected bid responses to tenders, and consider cancellation or re-tendering is exercised when there is an insufficient response. Additionally, in cases where the City does not cancel or re-tender, we recommend that justification be included in the procurement file.</p>
Management Response
<p>Accepted</p> <p>Action Plan: The Corporate Procurement and Supply Services Branch currently works with business areas to identify potential sources of supply in the market and estimates the number of bids that may be received from competitive procurement.</p> <p>When only one bid is received to a tender, or the response to a tender does not meet the expectations of the business area or the CPSS Branch, discussions will be held to determine on a case by case basis whether the tender should be re-issued or cancelled. Justification for these changes will be documented in the procurement outcome report, which is signed off prior to the contract award.</p> <p>These changes will be documented in CPSS guidelines for procurement staff, and training will be provided to ensure consistent application for all competitive procurement opportunities issued by the City of Edmonton.</p> <p>Planned Implementation Date: December 31, 2017</p> <p>Responsible Party: Branch Manager, Corporate Procurement & Supply Services</p>

5.2.2 Reviewing mandatory requirements

Mandatory requirements are not evaluated but are based on a clear pass/fail or yes/no decision. CP&SS reviews all proposals to determine compliance with any procurement mandatory requirements. Next, the business area Evaluation Committee reviews and verifies compliance with any business and technical mandatory requirements. The City's

guidelines indicate that any proposal that does not meet all mandatory requirements is to be removed from further consideration and will not be evaluated.

We reviewed the tender files to determine if there was evidence that:

- CP&SS reviewed procurement mandatories
- Evaluation Committee reviewed the business mandatories prior to evaluation of business requirements.

For the 86 files we reviewed, we observed that 44 out of 415 bids received (11%) were disqualified. This indicates that a review of mandatories is occurring. However, we found that both CP&SS and the business areas are not using a checklist to document the review of mandatory requirements. Therefore, we could not confirm whether all mandatories for each tender was identified and reviewed. This is important to ensure accountability of the tender evaluation process exists.

As indicated in Section 5.1.1, we could not confirm that all mandatories were reviewed as they were not easily identifiable in the tender document.

OCA Conclusion

CP&SS and the business area currently do not formally document a review of mandatory requirements. Therefore the evaluation process may be perceived as not being transparent, fair, accountable, and further limits competition which decreases best value.

Recommendation 7 Documentation of Mandatory Requirements
We recommend that that the Branch Manager of CP&SS ensures a checklist or similar document is prepared to record the review of all mandatory requirements and that this document be signed and dated by all parties participating in the review.
Management Response
Accepted

Action Plan: The Corporate Procurement and Supply Services Branch will develop a checklist that provides for the formal review of all mandatory requirements contained within a competitive procurement opportunity. This checklist will be completed and signed by all parties participating in the review of a competitive procurement opportunity.

Planned Implementation Date: December 31, 2017

Responsible Party: Branch Manager, Corporate Procurement & Supply Services

5.2.3 Evaluating business requirements

After bids meet the mandatory requirements, they are evaluated by the Evaluation Committee for business requirements. This includes completing individual evaluations and a final team evaluation and consensus scoring. Documentation of both individual and team evaluations should be retained to ensure there is justification for the scores being assigned.

Scoring Matrix

As shown in the example in Table 3, the scoring matrix lists the price component, and all evaluated business requirements and associated weightings. In this table we have shown both the business requirements published in the tender document and the corresponding business requirements defined in the evaluation plan. Business requirements are more specific in the Evaluation Plan to assist evaluators in the evaluation of bidder's responses. Table 3 on the following page illustrates the complex business requirements that evaluators are expected to assess against each bid.

Table 3 – Example of Price and Evaluated Weightings

Published in the Tender Document		Defined in Evaluation Plan			
Overall Weighting		Business Requirements Weighting		Business Requirements Weighting	
Price	30%	Price	30%	Cost/ Competitiveness	30%
Evaluated	70%	Technical Competence	20%	Capability	10%
				Resources	10%
		Service Delivery	15%	Education	6%
				Professional Designation	4%
				Flexibility & Responsiveness	5%
		Quality	15%	Communication	5%
Reaction to problems	3%				
Innovation	2%				
Environment	10%	Customer Care	7%		
		Quality of Service	5%		
Total	100%	Total	100%	Continuous Improvement	3%
				Commitment	8%
				Environmental Targets	2%
Total	100%	Total	100%	Total	100%

Scoring Guide

Table 4 shows an example of a generic scoring guide. During the actual evaluation of each business requirement, an evaluator must assign a rating or score for each business requirements evaluated. As shown, using a generic scoring guide can be subjective and may result in inconsistent scoring. This could be perceived as unfair if the score is not appropriately supported.

Table 4 – Generic Scoring Guide Example

Score	Description	Definition
5	Exceptional	Exceeds expectations, excellent probability of success, achieves all objectives, very innovative.
4	Above average	Good probability of success, achieves all objectives in a reasonable fashion, exceeds minimum in some areas.

3	Average/Meets minimum acceptable	Has reasonable probability of success, meets minimum requirements, some objectives may not be met.
2	Poor	Falls short of expectations, low probability of success, partially unresponsive.
1	Inadequate	Fails to meet requirement, no probability of success, inadequate, fails to meet need.
0	Non responsive	Did not respond, not addressed in proposal.

We reviewed the tender files to determine whether:

- There was evidence that individual Evaluation Committee members fulfilled their responsibility of completing individual scoring prior to participating in the consensus scoring exercise.
- All Evaluation Committee members signed the final scoring sheet signifying that all team members took part in the evaluation and agreed with the consensus results.
- The rationale for the assigned scores for each sub-criterion was clear and well documented.

Completion of individual scoring

We were informed that all records of an individual Evaluation Committee member's scoring for each qualified bid are destroyed after consensus scoring is completed.

Therefore, we could not determine whether individual Evaluation Committee members fulfilled their responsibility prior to participating in the consensus scoring exercise.

Consensus results

A record of attendance at consensus scoring meetings is not retained in the procurement file and the team consensus scoring sheet was not signed and dated. Therefore, CP&SS cannot demonstrate whether all Evaluation Committee members participated in determining the final scores assigned to each bid.

Final Scoring rationale

We observed that the format and level of detail captured for each tender varied. Overall, the quality and completeness of the documented results for evaluation of business requirements was not sufficient for us to rationale the scores assigned. Documentation is important given to justify the scores assigned when a generic scoring guide, such as Table 4, is used.

OCA Conclusion

The documentation of the evaluation process needs to be improved to demonstrate that the evaluation of business requirements was completed in a fair and unbiased manner, and demonstrates accountability.

Recommendation 8 Documentation of Bid Evaluations

We recommend that the Branch Manager of CP&SS ensures that the results of bid evaluations completed by individuals and teams are signed, dated, and retained in the procurement file and that the rationale for the final score assigned for business requirements is documented.

Management Response**Accepted**

Action Plan: Currently, the evaluation team consensus scoring is maintained within the procurement files, as is the justification for the scoring assigned to business requirements at a summary level. Summary of evaluation is included in the procurement outcome report which is signed off prior to the award of a contract.

The CP&SS Branch will incorporate the addition of individual scoring into the procurement file and will train CPSS staff on the change in requirements. Training to ensure individual evaluators are aware of their responsibilities will be provided as part of the training curriculum offered through the Procure to Pay initiative.

Planned Implementation Date: December 31, 2017

Responsible Party: Branch Manager, Corporate Procurement & Supply Services

5.3 Case Studies

The previous sections described specific observations on the competitive procurement evaluation practices between January 2015 and October 2016. During our audit testing, we observed procurement files that were well done and others that require improvements. We selected three tender files (one for professional services, one for the purchase of goods, and one for construction) to illustrate how the City's competitive procurement practices impacted the procurement principles.

5.3.1 Professional services

The scope of work required a professional to be resident in an office at a City facility full time during the contract period. The purchase order value for this tender was \$200,000. Tender requirements included having more than 12 years' work experience and project management experience on at least two multi-disciplinary projects with value of \$5.0 million or more each.

Two bids were received. The following are our key concerns with the evaluation process:

- During the tender, one bidder indicated their proposed candidate did not have the project management experience with a value of \$5.0 million and asked if this candidate can still be considered for the position. The requirement for project management experience was reduced to a value of \$2.0 million or less. There was no explanation on file as to why this change was made. We cannot determine whether the City overstated its requirements, if the adjustment was made to attract more bids, or if there were other factors influencing the decision.
- The contract was awarded to the bidder with the lesser project management experience. The bidder also noted in their bid package that the professional identified in the bid would not be completing all the work and could only commit to a maximum of two days per week. Furthermore, if acceptable to the City, a junior staff would be doing some of the work.

- For pricing, the contract was also calculated using the cost of the professional member for all planned hours rather than budgeted using the junior member's rate.

The method of service delivery written in the awarded contract did not reflect the requirements set out in the tender document. In our opinion, the tender document was misleading and the process followed was not fair, or transparent. It is likely the City did not get best value from the procurement.

5.3.2 Purchase of goods

This tender was for the supply and delivery of products with identified product specifications for a value of \$300,000. The tender specified that equivalent products would be considered however the meaning of equivalent was not well defined.

The City received two bids on this tender. The first bid would supply the products as specified in the City's tender document. The second bid proposed custom manufacturing the products to the specification listed, but using a different material. The following are our key concerns with the tender evaluation process:

- The tender evaluation plan identified only one individual who would complete the evaluation which was based on 50% price and 50% evaluation. Therefore, the risk of bias and personal preference influencing the evaluations was high.
- The second bid had proposed an equivalent product which was challenged by the City as being equivalent. Upon review, it was determined that the City's definition of equivalency was too ambiguous to determine if the product met specifications.
- However, the second bid was disqualified for indicating the pricing was valid for 15 days instead of 60 days as specified in the tender. The other bid did not indicate a validity period and CP&SS assumed it was for 60 days. This bid was not disqualified and became the successful award.
- Shortly after award, the successful remaining bidder advised the City they made a mistake in their bid and could not provide the products at the quoted prices due to

misreading the quote from their supplier. The bidder requested a price increase of 32% which was accepted without negotiation.

The process followed in this case was not fair and open. The evaluation was conducted by only one evaluator even though there was an evaluation of business requirements. The bidders appeared to be treated differently in the assessment of the price validity mandatory requirement. Also, the City was not clear on the definition of what an equivalent product meant. In our opinion the City did not get best value from this procurement.

5.3.3 Construction

This tender was for the construction of a major City facility valued at \$142 million. CP&SS had to cancel the original tender due to numerous errors in the tender package. The second tender was scheduled to be open for 19 working days. However, they had to revise the close date five times and the tender ended up being open for 41 working days. The City received five bids for this tender. The following are our key concerns with the evaluation process:

- Prior to the close of the tender, the business area revised the specifications and drawings seven times. They also changed the instructions to bidders and general conditions three times. The numerous addenda changes may suggest the City was still not ready to go to tender. Each addenda change required extra effort for bidders in the submission of their bids.
- The City received more than 600 questions from potential bidders. CP&SS advised bidders to limit questions to 10 working days prior to the tender closing date. The volume of questions may also suggest that the City was still not ready to go to tender.
- CP&SS issued an addenda to address a request from a bidder who would be unable to attend the bid opening meeting. They subsequently rejected a similar request by a second bidder and did not document the reason.
- The City currently accepts last minute price adjustments to the original bids from vendors. The City also does not require bidders to identify the specific line item in the

bid form that the price changes relate to. For this tender, the City received two bids with last minute price changes.

Posting tenders that are substantially incomplete and unclear is not transparent and discourages completion. Adjusting the tender closing date for one bidder and not accommodating the request of another is not a fair practice. All bidders need to be treated equally and all decisions should be fully documented in order for the City's tender process to be perceived as fair. Last minute price adjustments require better oversight to ensure fairness and transparency of the process.

6 Conclusion

This purpose of this audit was to assess how well the City's competitive procurement evaluation process aligns with the four public procurement principles (fairness, openness, transparency, and accountability) and to assess whether the City receives best value for money. Overall we found that the City can improve its competitive procurement process in order to better align with the procurement principles (fair, open, transparent, accountable, and receiving best value). We observed numerous activities in our detailed procurement file review which challenge or appear contrary to the procurement principles and as such have identified several opportunities for improvement.

For the preparation of tender stage we identified several opportunities to improve fairness, transparency, and best value.

In reviewing tender documents we had difficulty in locating important mandatory requirements. Therefore, we recommend CP&SS ensure that the mandatory requirements set out in the tender documents are essential to business areas and easily identifiable. We observed inconsistent methods of tender price and evaluation weightings and recommend CP&SS develop a strategy to assist departments for determining an appropriate weighting scale for price and evaluation of business requirements. We observed that not all tender evaluation plans are complete and recommend that CP&SS ensure that all tender

evaluations include an appropriate number of evaluators, identify all evaluators participating prior to bids being evaluated, and that evaluators with a known conflict of interest are not allowed to participate in the evaluation. We observed numerous addenda in the tenders reviewed and recommend that CP&SS ensures that rationale for addenda are clearly documented and that adequate time is provided to bidders when addenda are issued. We observed that City tenders are open near or below the City minimum recommended guidelines and recommend CP&SS ensures tender open periods set out in tender documents adhere to minimum guidelines such that all potential bidders have sufficient time to prepare bids.

For the evaluation of bids stage we identified several opportunities to also improve fairness, transparency and best value.

Within our testing of files, we observed that the City did not cancel or re-tender when a low number of bid responses was received. We recommend that CP&SS establish minimum targets for expected bid responses to tenders, and consider the option to cancel or re-tender when there is an insufficient response. Additionally, in cases where the City does not cancel or re-tender, we recommend that justification be included in the procurement file. We did not find adequate documentation on the important review of mandatory requirements through which only qualified bids are forwarded for additional evaluation. We recommend that CP&SS prepare documentation to record the review of all mandatory requirements. Finally, we did not observe adequate documentation of evaluations within procurement files. We recommend CP&SS ensure that the results of bid evaluations completed by individuals and teams are signed, dated, and retained in the procurement file and that the rationale for the final score assigned for business requirements is documented.

We thank CP&SS Branch for their cooperation and openness during this audit.