



**Calgary**

City Auditor's Office



# **Calgary Housing Company- Vendor Procurement and Management Audit**

**February 24, 2023**

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The City Auditor's Office conducted this audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

## Executive Summary

Calgary Housing Company (CHC) is a wholly owned subsidiary of The City of Calgary (The City) and provides community housing and affordable rental housing to Calgarians in need of non-market rental housing. CHC manages over 7,100 housing units, including 2,455 units owned by The City and 2,702 units owned by the province.

In 2021, CHC paid \$38.2M in capital and operational maintenance and housing operations to external 3<sup>rd</sup> party vendors. Effectively procuring and managing external 3<sup>rd</sup> party vendors is important given the significance of expenditures and the potential for financial loss and disruption to service delivery if properties are not properly maintained.

CHC undertook the Procurement to Pay (P2P) project in 2015 and developed procurement policies, processes, and procedures to improve accountability and mitigate risk, with the intent of enhancing the quality-of-service delivery and maximizing value for each dollar spent. CHC also adopted a new IT system to process work orders, purchases orders, invoices, and payments in June 2020.

The objective of this audit was to assess the effectiveness of vendor procurement and management processes and controls by reviewing the design and operating effectiveness of the following processes and controls:

- Procurement - Competitive and non-competitive sourcing;
- Purchasing and Accounts Payable; and
- Contract management, including contract amendments and Vendor Performance Evaluation.

Based on our review of a sample of contracts, invoice payments, contract amendments, and vendor performance evaluations, we concluded CHC's competitive/non-competitive procurement and contract amendment processes were designed and operating effectively. Based on a review of one contract with several amendments and a significant increase in contract value, we identified an opportunity to enhance the quality of competitive procurement by implementing a process to support the selection of the most appropriate strategy. We also identified control improvements to enhance the effectiveness of payment and contract management processes.

Although CHC generally complied with established payment processes, we identified instances of inaccurate billing in the sample testing of invoices (6/60) and instances where payment was made before service completion was verified (3/60). To mitigate financial risk, we recommended CHC develop a verification process to identify and correct the inaccurate billings. Considering the high volume of transactions, a risk-based approach is recommended that could include pre-payment or post-payment verification. We also recommended CHC reinforce responsibilities to verify receipt of goods/services before payment.

CHC implemented the Vendor Performance Evaluation Procedure in 2021 to manage vendor performance. Based on sample testing, CHC was following up with vendors with unacceptable performance to address concerns. However, 6/9 contracts sampled did not have a completed performance evaluation. To improve the operational effectiveness of the vendor performance evaluation process and ensure performance issues are addressed in a timely manner, we recommended CHC develop a process to monitor, escalate and report outstanding vendor performance evaluations.

CHC has existing processes for contract renewals and extensions that rely on SharePoint and a shared drive to record and manage procurement contracts. We noted two exceptions where there

was no valid contract for services provided and recommended CHC review and improve the effectiveness of current renewal and extension processes.

In addition, we noted an opportunity for CHC to continue modernizing its vendor procurement and management function by leveraging current system functionality. This would further improve the effectiveness and efficiency of procurement processes, and better support vendor performance evaluation monitoring and reporting, and contract renewals and extensions.

CHC agreed to all recommendations and committed to implementing action plans no later than December 31, 2024. The City Auditor's Office will monitor the status of commitments as part of its on-going recommendation follow-up process.

## 1.0 Background

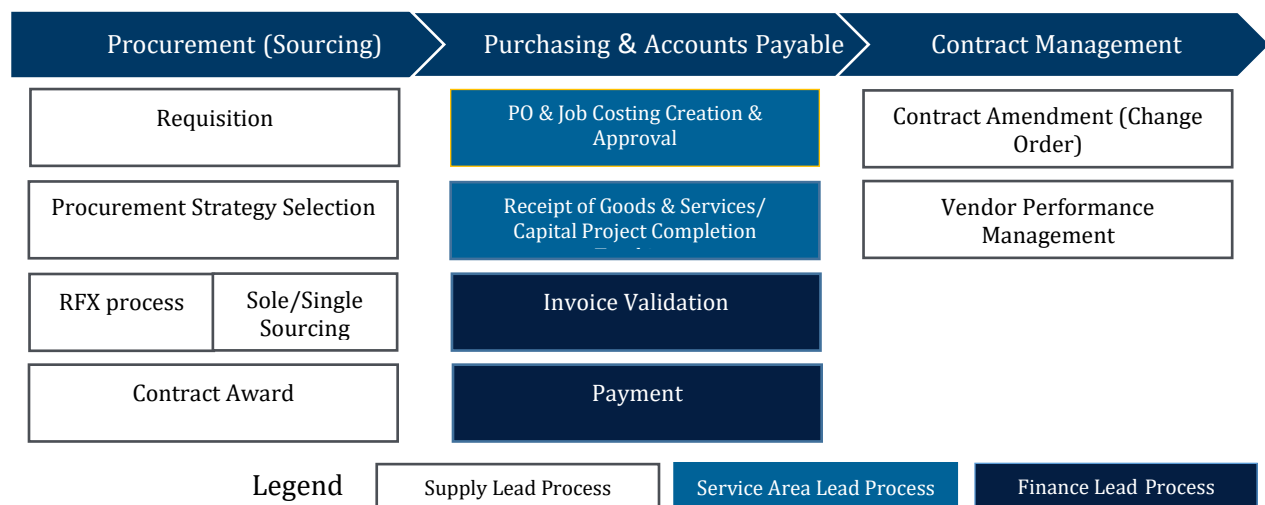
Calgary Housing Company (CHC) is a wholly owned subsidiary of The City of Calgary (The City). CHC provides safe and affordable housing solutions for low and moderate income Calgarians in need of non-market rental housing. CHC operates four housing programs: community housing, affordable housing, near market, and rental assistance. CHC manages over 7,100 units of housing, among which, 1,860 are CHC owned, 2,455 are city-owned, and 2,702 are provincially owned<sup>1</sup>.

In 2021, CHC paid \$38.2M in capital and operational maintenance and housing operations<sup>2</sup> to external 3<sup>rd</sup> party vendors. Effectively procuring and managing external 3<sup>rd</sup> party vendors is important given the significance of expenditures and the potential for financial loss and disruption to service delivery if properties are not properly maintained.

CHC contracted a consultant to assess its Procurement to Pay (P2P) process in 2015. In response to the recommendations, CHC launched a P2P project aimed at strengthening procurement governance and controls, which included creating the Tender Review Committee's (TRC's) Terms of Reference. The P2P Project included significant changes to CHC policies, procedures, and processes, the majority of which were completed in 2020. CHC also adopted a new IT system, Yardi Voyager, to process work orders, purchases orders, invoices, and payments in June 2020.

CHC developed Procurement Guiding Principles (FA-033(B)) in 2021 to provide the foundation for how CHC purchases goods, services, consulting, or construction. The principles are intended to improve accountability and mitigate risk, which will enhance the quality-of-service delivery and maximize value for each dollar spent. Based on Procurement Authority Levels (FA-034(C)), all CHC procurement is expected to follow a competitive process (RFX), except when special circumstances permit (e.g. single, or sole sourcing), and adhere to specified approval levels.

CHC Supply is responsible for vendor sourcing and contract management and have a joint responsibility with other relevant areas to manage vendor performance and payments. The current procurement process is illustrated below:



<sup>1</sup> CHC-Annual-Report\_2021

<sup>2</sup> \$38.2M is based on the total amount per General Ledger account code related to maintenance and operations. It excludes expenditures paid to The City, other levels of government, tenants, community support, and for utilities, such as heating, telephone, cable, and internet, and condominium fees.

## 2.0 Audit Objective, Scope, and Approach

### 2.1 Audit Objective

The objective of this audit was to assess the effectiveness of vendor procurement and management processes and controls to mitigate the following key financial and/or reputational risks:

- Overpaying for goods and services or paying for lower quality goods/ services than agreed upon or paying for goods/services not provided;
- Failure to attract bidders due to the perception of unfair procurement practices, which could impact the continuance of service delivery;
- Conflict of interest in the process that results in waste and/or wrongdoing (e.g. purchase for personal use or purchases from family, friends, or other employees); and
- Collusion with vendors who provide compensation or favors, resulting in waste and/or wrongdoing (e.g. award contract at a higher price in exchange for personal gain).

The objective was achieved by reviewing the design and operating effectiveness of the following processes and controls:

- Procurement (sourcing);
- Purchasing and Accounts Payable; and
- Vendor management, including contract amendments and vendor performance.

### 2.2 Audit Scope

The scope of this audit included contracts initiated between January 1, 2021, and July 31, 2022. The procurement of contracts awarded on behalf of the Government of Alberta related to provincially owned housing were not included.

This audit focused on transactions with external 3<sup>rd</sup> party vendors who provided services for maintenance and property operations between August 1, 2021, and July 31, 2022.

This audit did not examine the following areas:

- The process to identify future capital and operational needs for inclusion in business planning and budgeting; and
- IT system (Yardi Voyager) access controls.

### 2.3 Audit Approach

We assessed the design and operating effectiveness of processes and controls to procure and manage vendors through:

- Interviews with key CHC staff to gain further understanding of individual processes and controls;
- Review of related policies, procedures, and documentation;
- Analysis of the contract database and expenditure reports;
- Review of a sample of the following to assess compliance with policies and procedures:
  - Contracts awarded through competitive processes, including assessing performance management;
  - Contracts awarded through non-competitive processes (i.e. sole, or single sourcing);
  - Contracts with amendments (change orders); and
  - Payments.



### 3.0 Results

Overall, our sample testing concluded that CHC’s competitive/non-competitive procurement and contract amendment processes were designed and operating effectively. Based on a review of one contract with several amendments and a significant increase in contact value, we identified an opportunity to enhance the quality of decision making in selecting the competitive procurement strategy (Section 3.1.2). We also identified control improvements to enhance the effectiveness of payment (Section 3.2) and contract management processes (Section 3.3.2, 3.3.3).

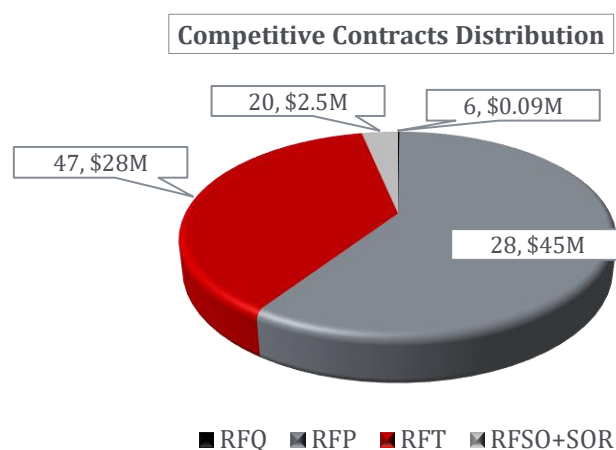
In addition, we noted an opportunity for CHC to build on policies, procedures, processes, and IT systems implemented as part of the P2P project and continue the transition to modernize its procurement function. The COVID-19 pandemic prompted CHC to transition from paper-based to electronic procurement (e.g. using an electronic bidding system-MERX for solicitation, and storing procurement documents on a shared drive). However, Supply currently uses SharePoint and a shared drive to record and manage procurement contracts over the contract’s lifecycle and does not have a contract management system. We recommended CHC leverage the functionality of current systems to manage contracts and maintain documentation, which will enhance the effectiveness and efficiency of procurement and contract management activities, including renewals and extensions and Vendor Performance Evaluation (VPE) monitoring.

#### 3.1 Procurement Process

We tested a sample of competitive and non-competitive contracts and concluded that procurement complied with internal policies, procedures, and established processes. We raised a recommendation to further enhance the selection of the most appropriate competitive procurement strategy (Recommendation 6), to mitigate the project delivery risk and ensure value for money.

##### 3.1.1 Competitive Procurement

There were 101 contracts with an approved budget value of \$76M awarded through competitive procurement between January 1, 2021, and July 31, 2022.



We selected 12 contracts, comprised of different procurement methods (RFX<sup>3</sup>) and dollar values, and reviewed procurement documents to verify compliance with procurement policies and procedures. We noted the following effective processes:

- CHC requires staff to complete Code of Conduct training, which includes conflict of interest, and has processes to monitor training completion. Proponents and staff involved in RFX processes are required to declare conflicts of interest.
- Procurement requests and the contract award recommendations were approved based on Procurement Authority Levels (FA-034(C)).
- The specifications, scope, evaluation criteria and bid submission timeline were included in the RFX documents and published to all proponents.
- The acceptance of bid submissions and evaluation of bids was performed in accordance with timelines and criteria outlined in the RFX document.
- The award result was consistent with the evaluation results, and timely disclosed.

Overall, the procurement documents demonstrated that all required policies and procedures were followed and generally provided sufficient audit trail of key decisions. A few exceptions of incomplete documents and one electronic signature concern with a low-risk ranking were noted in our sample testing, which we shared with CHC.

### 3.1.2 Competitive Procurement Strategy Selection

When reviewing the sample of contract amendments (Section 3.3.1), we noted one contract with several amendments structured as an RFT. CHC advised an RFP may have been a better procurement strategy for this contract given the project scope. We recommended CHC develop a process to support the selection of the most appropriate procurement strategy to mitigate the risk to successful project delivery. We further recommended Supply develop and implement a formal “lessons learned” process to identify improvement opportunities in the procurement area, which will translate into continuous process improvement (Recommendation 6).

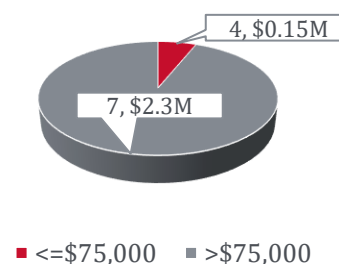
### 3.1.3 Non-Competitive Procurement

There are limited circumstances where non-competitive procurement is permitted. Non-competitive procurement requires documented justification (i.e. business case) and approval from the TRC consisting of members from senior management.

CHC awarded 11<sup>4</sup> exception-to-competitive contracts with an approved budget of \$2.5M to external 3<sup>rd</sup> party vendors in the period between January 1, 2021, and July 31, 2022.

We selected five contracts, reviewed the supporting documents, and noted the documented justifications and TRC approvals were in place for all samples.

Non-Competitive Contracts Distribution



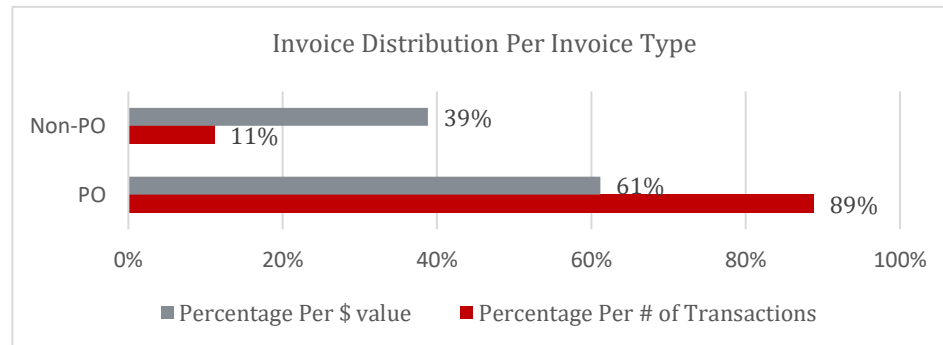
<sup>3</sup> Under the competitive method, CHC use Request for Quote (RFQ), Request for Tender (RFT), Request for Proposal (RFP), and Request for Standard Offers (RFSO) and associated Statement of Requirements (SOR).

<sup>4</sup> This number excludes the non-competitive contracts awarded to The City and its departments, and training contracts.

### 3.2 Purchasing and Accounts Payable

We focused on assessing if CHC has effective processes and controls to ensure CHC only paid for goods/services received, and in accordance with contract rates. We concluded improvements are required to reinforce existing controls and address a control deficiency in verifying invoice rates to contract rates for PO invoices.

Between August 2021 and July 2022, CHC processed 39,906 external third party transactions totaling \$37.5M. There were 35,452 PO transactions totaling \$23M, and 4,454 non-PO transactions totaling \$14.5M.



We selected 60 samples (38 PO and 22 non-PO) to verify against three criteria:

1. Invoice rate was consistent with the contract rate;
2. Services/goods were received; and
3. Invoice was approved by appropriate party.

We noted exceptions to each criterion as follows:

#### Criterion 1

Six invoices had different rates from contract rates. On the PO invoice side, the current process does not require a check of the invoice rate to contract rate before the invoice is paid. Given the high volume of PO invoices, we recommended CHC implement a risk-based rate verification process to compare the invoice rate to contract rate for PO invoices. The approach could include either a preventative pre-payment verification or a detective post-payment verification based on risk and practicality (Recommendation 1).

On the non-PO invoice side, the current process of having the budget owner verify the rate for non-PO invoices before approval was not working effectively. We recommended CHC document and communicate approver's responsibilities to mitigate the risk of overpayment (Recommendation 2). We also recommended CHC incorporate non-PO invoices into the risk-based PO verification process, which will provide a structured and consistent way of identifying inaccurate billing.

#### Criterion 2

We noted three instances where required processes were not followed. In two instances, invoices above \$4,000 did not have an inspection report to confirm the service was completed prior to payment, and the work order for one instance was not closed prior to payment. We recommended CHC reinforce responsibilities to complete and retain the inspection report (Recommendation 3).

### Criterion 3

One invoice was approved for an amount beyond the approver's authority since the correct workflow was not chosen to automatically direct the invoice to the appropriate approver. We recommended CHC emphasize the importance of choosing the correct workflow to ensure the system-embedded control is effective (Recommendation 3).

## **3.3 Contract Management**

Contract management occurs throughout the lifecycle of the contract. We reviewed supporting documents for a sample of contract amendments, and a sample of contracts for VPE results. We made two recommendations to improve the effectiveness of current contract management processes focused on contract renewals and extensions and the VPE process.

### **3.3.1 Contact Amendments**

Contract amendments require a documented justification and approval based on pre-defined authority levels. There were 88 amendments to 34 contracts, involving changes in contract value, from January 1, 2021, to July 31, 2022. We selected five amendments pertaining to five contracts with the highest values and verified all amendment requests were supported and approved.

### **3.3.2 Contract Renewals and Extensions**

During our review of the 60 invoice samples (Section 3.2), we noted services under two non-PO invoices were not covered by an existing contract:

- One contract was renewed without including a sampled new building service; and
- One had a change order to cover additional services until June 2020. However, the services continued into 2021 without a change order and contract extension.

We recommended CHC review its contract renewal and extension process to ensure services are covered by a valid contract (Recommendation 4) to mitigate financial risk.

In addition, as noted under Section 3.0, a contract management system would be helpful in identifying and monitoring contracts that are up for renewal or extension.

### **3.3.3 Vendor Performance Evaluation**

CHC developed FS-Vendor Performance Management Procedure-001 in September 2020 and implemented the VPE process in 2021. The purpose of the procedure was to provide guidance on how to address vendor performance issues in a timely manner, promote performance improvement, and monitor performance.

Supply developed an expected VPE frequency and a template VPE form with pre-defined evaluation categories and rating criteria to facilitate the evaluation. We tested a sample of six vendors with unacceptable performance and noted, once the contract manager submitted the VPE, Supply worked with vendors to develop a plan to address performance issues.

We also tested a sample of nine competitive contracts expected to have a completed VPE and noted the evaluation was not submitted for 6/9 contracts. We recommended CHC implement a process to monitor, escalate, and report on outstanding VPE to ensure performance is evaluated in a timely manner and action can be taken to address performance issues (Recommendation 5). The VPE process would also benefit from a contact management system to support monitoring and reporting of outstanding VPE.

We would like to thank staff from CHC for their assistance and support throughout this audit.

## 4.0 Observations and Recommendations

### 4.1 Contract Rate Verification

We selected 60 samples (38 PO and 22 non-PO) to verify the invoice rate was consistent with the contract rate. We noted six invoices (five PO (13% of sample), one non-PO (5% of sample)) had different invoice unit rates from contract unit rates, which resulted in overbilling of \$1,509.

Under the PO invoice process, when the Finance Invoice Administrator receives the invoice, they compare the total amount of the PO against the total invoice amount to ensure the invoice amount does not exceed the pre-approved PO amount. However, this control may not identify inaccurate invoice unit rates. We noted the Finance Invoice Administrator is not required to compare the invoice unit rate with the contract unit rate before the invoice is paid. Since there is a high volume of PO invoices, verifying all invoice rates prior to payment may not be an efficient manual control to mitigate the risk of overpaying for goods and services. CHC should consider a risk-based approach that could include verifying a sample of invoices to contract rates prior to payment or a detective control such as a risk-based post-payment verification process.

Under the non-PO invoice process for Maintenance and Operations, the budget owner or their delegate approve the invoice. Although the approver is expected to ensure the invoiced rate is consistent with the contract rate before approving the invoice, there are no documented procedures outlining approver responsibilities. Given invoice rates for one non-PO in the sample did not match contract rates, CHC can improve the design of this manual control by documenting and communicating approver responsibilities. To further mitigate the risk of overpayment, CHC could expand the rate verification process for PO invoices, as noted above, to include non-PO invoices for Maintenance and Operations, which would provide a structured and united way of verifying rates across different invoice types.

#### Recommendation 1

The Chief Finance and Risk Officer implement a risk-based process to verify PO and non-PO invoice rates to contract rates.

#### Management Response:

Agreed.

Action Plan	Responsibility
<ul style="list-style-type: none"> <li>a) Implement an initial measure to select a random sample of Purchase Orders with their associated contracts rates. This short-term solution will be completed after payment for both PO and non-PO invoices.</li> <li>b) A full cost benefit analysis exploring preventive measures will be conducted to understand both manual and technology-based resource requirements to verify all Purchase Order invoice rates.</li> <li>c) Implement the recommendation from the cost benefit analysis.</li> </ul>	<p><u>Lead:</u> Chief Finance and Risk Officer</p> <p><u>Support:</u> Finance and Risk Management Team, Business Strategy Team, and Asset Management and Maintenance Team</p> <p><u>Commitment Dates:</u></p> <ul style="list-style-type: none"> <li>a) June 30, 2023</li> <li>b) December 31, 2023</li> <li>c) TBD based on cost benefit analysis</li> </ul>

Recommendation 2

The Chief Finance and Risk Officer document and communicate procedures outlining the approver’s responsibility to verify non-PO invoice rates to contract rates.

Management Response:

Agreed.

Action Plan	Responsibility
Document and communicate procedures outlining the approver’s responsibility to verify non-Purchase Order invoice rates to contract rates as part of a training package for current and new employees.	<u>Lead:</u> Chief Finance and Risk Officer  <u>Support:</u> Finance and Risk Management Team, Business Strategy Team, and Asset Management and Maintenance Team  <u>Commitment Date:</u> June 30, 2023

**4.2 Pre-Payment Verification**

During our review of the sample of 60 invoices, the following exceptions in Maintenance and Operations did not follow pre-payment processes to ensure the invoice was paid after the good/service was provided or was approved based on pre-defined procurement signing authorities:

- Two invoices (one PO, one non-PO) over \$4,000 did not have a required inspection report to confirm the work was completed prior to payment and one PO invoice was paid before the conclusion of the work order; and
- One non-PO invoice approver did not have the authority to approve the dollar amount of the invoice. This invoice should have been approved through the non-PO workflow, which would have directed the invoice to the appropriate approval authority. In this case the non-PO workflow was bypassed (i.e. not selected by the Finance Invoice Administrator) and the invoice was approved via email.

CHC should reinforce invoice validation responsibilities and selection of appropriate approval workflows. In addition, CHC could consider a post payment rate verification process that includes verifying work has been completed prior to payment (i.e. inspection report completed, and work order closed).

Recommendation 3

The Chief Finance and Risk Officer reinforce:

- a) Responsibilities for Maintenance and Operations, to complete and retain Inspection Reports for services over \$4,000; and
- b) Importance of selecting the correct workflow based on expense type.

Management Response:

Agreed.

Action Plan	Responsibility
<p>a) Currently, an internal process exists for collecting and storing inspection reports over a certain corporate threshold. To ensure completeness, this process will be strengthened by developing an internal detective control where a random sample of invoices requiring inspections will be selected and validated.</p> <p>b) In response to the recommendation the Leader, Financial Strategy, Risk and Treasury held a training session on workflow Q4 2022.</p>	<p><u>Lead:</u> Chief Finance and Risk Officer</p> <p><u>Support:</u> Leader, Financial Strategy, Risk and Treasury, Leader of Financial Reporting and Internal Controls, Asset and Management and Maintenance Teams</p> <p><u>Commitment Dates:</u></p> <p>a) June 15, 2023</p> <p>b) November 24, 2022</p>

### 4.3 Contact Renewals and Extensions

During our review of the 60 invoices sampled, two non-PO invoices could not be verified to contract rates as they were not covered by an existing contract.

One non-PO invoice related to waste management services for a new building that was added to CHC's portfolio. When the contract to provide waste management services was renewed with the vendor, the contract did not include services for the new building or updated rates (i.e. invoiced rates were not consistent with renewed contract). CHC should ensure the process to renew contracts includes an assessment of additional services, updated rates, and public posting requirements.

One non-PO invoice related to COVID disinfection services. There was a contract amendment to provide these services that covered the period from March to June 2020. However, the services continued into 2021 without a valid contract. CHC should ensure contracts that will be expiring are reviewed to ensure timely change orders and extensions.

Supply does not have a contract management system. They currently use SharePoint to record procurement contracts and track progress over the lifecycle of the contract and CHC's shared drive to save procurement documents. Purchase Assistants or Senior Buyers manually input data such as procurement value, budget, RFX post and award date, in SharePoint and save associated procurement documents and approvals on the shared drive.

A contract management system would improve the effectiveness and efficiency of procurement and contract management activities. Supply should leverage current system functionality to manage contracts, including renewals and extensions and vendor performance (Section 4.4), and store procurement documentation in a central repository.

#### Recommendation 4

The Leader, Supply Management:

- a) Ensure:
- Contract renewals include an assessment of additional services, updated rates, and public posting requirements; and
  - Contracts that will be expiring are reviewed to ensure timely change orders and extensions; and



- b) Leverage the functionality of current systems to manage contracts and maintain documentation.

Management Response:

Agreed.

Action Plan	Responsibility
<p>a) In the short-term, the Supply team will ensure the contract renewal and extension process is timely and it includes the analysis of services performed and makes updates to services and rates. Training will be used to reinforce the process.</p> <p>b) CHC Supply will investigate the capability of current management systems to automate the contract management function. Should there be an alternative system to the current SharePoint implementation will be planned.</p>	<p><u>Lead:</u> Leader, Supply Management</p> <p><u>Support:</u> Sr. Buyers</p> <p><u>Commitment Dates:</u></p> <p>a) December 30, 2023</p> <p>b) December 30, 2023</p>

#### 4.4 Vendor Performance Evaluation

CHC developed FS-Vendor Performance Management Procedure-001 in September 2020 and implemented the VPE process in 2021. The number of VPE for each contract is determined by the contract manager in consultation with Supply considering criteria such as, contract duration, project milestones, and safety concerns.

Supply developed a Frequency Sheet that outlined the number of evaluations for each contract at the beginning of process implementation. The frequency was communicated to contract managers and agreed to. CHC advised a minimum of one VPE should be conducted at the end of the project and one annually or bi-annually for recurring services.

We reviewed a sample of 12 competitive contracts to verify if VPE were completed and noted:

- 9 of 12 contracts were expected to have a completed VPE, as they related to either completed projects or recurring services; and
- There was no vendor performance evaluation for 6 of the 9 contracts.

We also identified one VPE that was not submitted on a timely basis, which was part of follow-up testing on a sample of six vendors with an unacceptable rating (lowest rating) on their VPE. Although the contract manager completed two VPE during the project on August 31, and October 1, 2021, the VPE were not forwarded to Supply until November 25, 2021. Since the project was nearing completion, no performance improvement plan was developed to resolve performance issues.

We noted the Frequency Sheet was not updated to incorporate new contracts signed in 2021. In late 2021, the frequency of VPE was specified on the Procurement Request Form<sup>5</sup> for new

<sup>5</sup> The Procurement Request Form is used to approve funding and authorize procurement of goods and services.

signed contracts rather than the Frequency Sheet. Supply advised they sent reminders on a regular basis to contract managers to obtain VPE, with limited success.

Supply should improve the design of the VPE Procedure to include a process to monitor non-completed VPE and escalate when VPE are not submitted on a timely basis. Supply could update the Frequency Sheet to reflect new contracts signed and VPE requirements included on the Procurement Request Form. As noted under 4.3 above, a contract management system would support VPE monitoring and escalation.

Supply is currently reporting the number of VPE received on the quarterly dashboard to the TRC. To provide a complete overview regarding the progress of VPE, Supply should also report on outstanding VPE quarterly.

**Recommendation 5**

Leader, Supply Management:

- a) Implement a process to:
  - Monitor completion of VPE based on expectations defined on Procurement Request Forms and/or the Frequency Sheet; and
  - Escalate when evaluations are not submitted as required.
- b) Include outstanding VPE in quarterly reporting to the TRC.

**Management Response:**

Agreed.

Action Plan	Responsibility
<p>Management team will develop a procedure for follow up and escalation of non-submitted Vendor Performance Evaluations for reoccurring contracts.</p> <p>Supply will also deliver on the following activities:</p> <ul style="list-style-type: none"> <li>• Supply Management will reinforce the policy requirements for vendor evaluations with operational teams and the expectations for each type of contract;</li> <li>• Develop a reporting process for both projects that have been completed and reoccurring maintenance contracts;</li> <li>• Develop reporting tools to provide project specific Vendor Performance Evaluations scores and identify outstanding Vendor Performance Evaluations; and</li> <li>• Begin reporting quarterly to CHC’s Tender Review Committee with the current statistics on the number of outstanding Vendor Performance Evaluations.</li> </ul>	<p><u>Lead:</u> Leader, Supply Management</p> <p><u>Support:</u> Sr. Buyers and Asset Management and Maintenance Team</p> <p><u>Commitment Date:</u> December 30, 2023</p>

#### 4.5 Competitive Procurement Strategy Selection

There were 88 amendments to 34 contracts between January 1, 2021, to July 31, 2022. We selected five amendments pertaining to five contracts with the highest values to verify if the amendment requests were supported and approved. Although there were no exceptions in sample testing, we identified one RFT that resulted in contract amendments totaling \$476,750 from an original award of \$287,000.

CHC advised this particular contract may have been more appropriately structured as an RFP given that CHC were relatively new to this type of project. Supply should develop a process to support the choice of the most appropriate procurement strategy to mitigate project delivery risk and ensure value for money.

Supply should also develop a formal “lessons learned” process, when each contract is closed to analyze and identify procurement improvement opportunities, which would enhance effectiveness and efficiency and add value for future procurements.

#### Recommendation 6

Leader, Supply Management:

- a) Develop a process to support the selection of the most appropriate procurement strategy; and
- b) Develop and implement a formal “lessons learned” process.

#### Management Response:

Agreed.

Action Plan	Responsibility
<p>a) Evaluate and develop a process to review Procurement Requests for projects with significant unknowns and tailor the procurement strategy to those projects to mitigate risks.</p> <p>b) Review current lessons learned process for client teams and find opportunities to include Supply specific lessons learned. This would include a review of:</p> <ul style="list-style-type: none"> <li>• Complex contracts;</li> <li>• Contracts that have amendments resulting in significant increase in contract value; and</li> <li>• Results from VPE.</li> </ul>	<p><u>Lead:</u> Leader, Supply Management</p> <p><u>Support:</u> Sr. Buyers;</p> <p><u>Commitment Date:</u> December 31, 2024</p>