

CONTRACT PROCUREMENT - REQUEST FOR TENDERS PROCESS EFFICIENCY AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the Contract Procurement - Request for Tenders Process Efficiency Audit Report to Administration on July 8, 2015. The report includes Administration's response to seven recommendations raised by the City Auditor's Office regarding opportunities to improve Request for Tenders (RFT) cycle time.

Administration accepted all recommendations and will implement action plans from December 31, 2015 through to December 31, 2016.

RECOMMENDATIONS:

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2015 JULY 16:

That the City Auditor Recommendations contained in Report AC2015-0558 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2015 Annual Audit Plan was approved on November 6, 2014.

The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2015 Annual Audit Plan. The objective of this audit was to evaluate the efficiency of the contract procurement process which supports key capital projects, specifically, to identify opportunities to improve cycle time.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The Supply division has a mandate to manage public procurement processes for the City. Competitive procurement is conducted through the use of different request methods: depending on the requirement, Supply recommends which request method (such as request for proposal (RFP), or request for tender (RFT)) is appropriate for the procurement and coordinates the implementation.

The audit focused on the Request for Tender (RFT) process as it used for the purchase of high value (greater than \$200,000) or high risk goods and services when requirements and specifications require clear definition.

Our audit analyzed three 2014 RFTs supporting major capital projects underway in Transportation, Utilities & Environmental Protection and Community Services & Protective

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Services. These RFTs were for construction of a recreation centre, maintenance & storage facility, and waste water treatment receiving station. The RFTs were selected based on dollar value (\$9 million - \$42 million), diversity of construction, and representation of cycle time (89 days to 131 days).

Our audit was designed to identify process improvement opportunities to improve RFT cycle time which aligns to, and builds on, Supply's commitment to continuous improvement.

In 2014, as evaluated by Supply, the average process cycle time of RFTs (measured as the time between submission of Procurement Strategy Request and contract award) was 120 days. Supply has established a process improvement target of 100 days of cycle time for RFTs by 2018. Although a savings of 20 days may not appear to be a critical difference, a streamlined RFT process ensures timely and appropriate award of contracts.

The current RFT process is a manual workflow. Successive steps in the workflow are triggered either by documentation sent through internal mail, or through email. For example, the bid evaluation and award process involves the manual completion and circulation for approval via internal mail of the multiple forms.

Our analysis of sample files cycle time showed that one of the longest components of the cycle time (between 30 and 39 days) was the review of draft RFT documentation prior to public posting. Producing a quality document through this review process can impact the subsequent elements of cycle time by reducing addendums which add time to the public posting of the opportunity. The review process involves multiple stakeholders: the business unit's project manager, a buyer from Supply, a lawyer from the City's Law Department, and, dependent on the RFT, an external consultant who has supplied technical expertise.

Opportunities to improve RFT cycle time were identified in the following areas:

- Potential automation of process steps,
- Group collaboration,
- Template and guidance review,
- Expansion of cycle time tracking and monitoring, and
- Project prioritization.

Stakeholder Engagement, Research and Communication

This audit was conducted with Manager, Supply acting as the principal audit contact within Administration. Additional support and cooperation was provided by staff in Supply, Law, Transportation, Utilities & Environmental Protection and Community Services & Protective Services.

Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

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Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget:

N/A

Current and Future Capital Budget:

N/A

Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure.

We reviewed efficiency of the contract procurement process which supports key capital projects. The audit focused on the Request for Tender (RFT) process as it is used for the purchase of high value (greater than \$200,000) or high risk goods and services. The total dollar value of City RFTs in 2014 was \$248,153,353¹.

The contract procurement process efficiency plays a critical role in construction projects where delays in procurement can impact construction timelines, leading in turn to risk of increased project costs, and reputational damage due to missed deadlines.

REASONS FOR RECOMMENDATIONS:

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

ATTACHMENT:

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¹ Tender and Consultants Awards Report - 2014 (tender awards greater than \$500,000)