



AUDITOR GENERAL FOR
LOCAL GOVERNMENT

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Audit Topic 1 – Report 5 (March, 2016)

ACHIEVING VALUE FOR MONEY IN OPERATIONAL PROCUREMENT

Regional District of Fraser-Fort George

**A Performance Audit carried out by the Auditor General
for Local Government of British Columbia**

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MESSAGE FROM THE AUDITOR GENERAL FOR LOCAL GOVERNMENT

I want to thank the Regional District for its cooperation during the audit process. I also thank them for giving careful consideration to the audit findings and recommendations and providing a constructive response.



1.5.1 It's my pleasure to present this performance audit report on the operations of the Regional District of Fraser-Fort George, covering the topic "Achieving Value for Money in Operational Procurement."

1.5.2 I want to thank the Regional District for its cooperation during the audit process. I also want to thank them for giving careful consideration to the audit findings and recommendations and providing a constructive response, which is included toward the end of this report.

1.5.3 The office of the Auditor General for Local Government was established to strengthen British Columbians' confidence in their local governments' stewardship of public assets and the achievement of value for money in their operations. Performance audits of local governments are one of the tools we use to carry out this mandate.

1.5.4 This report describes our work in carrying out our audit of the Regional District of Fraser-Fort George's management of the procurement of goods and services to support its day-to-day operations. This activity is known as operational procurement. Like all of our audits, this is an independent, unbiased assessment, carried out in accordance with professional standards. It aims to determine the extent to which the area being examined was managed with due regard to economy, efficiency and effectiveness during the period covered by the audit.

1.5.5 This audit is one of six our office undertook on this topic beginning in 2013/14.

1.5.6 The audit found that Fraser-Fort George had, for the most part, well-developed principles, bylaws, policies and procedures in place to manage operational procurement with due regard for value for money. Staff substantially complied with the Regional District's requirements for competitive processes.

MESSAGE FROM THE AUDITOR GENERAL FOR LOCAL GOVERNMENT

1.5.7 However, we found that the Regional District's policies had important gaps requiring attention. We also found that the Regional District's efforts on operational procurement lacked strategic objectives and a system to gather, analyze, monitor and report on operational procurement.

1.5.8 Building on the work we carried out on this audit, the other five audits we have done on this topic and a review of local government practices, we have recently published an AGLG Perspectives series booklet titled "Improving Local Government Procurement Processes." Aimed at local government staff and Council/Board members, this booklet aims to assist a wide range of local governments to strengthen their procurement processes by developing strong procurement policy, performance metrics and vendor performance evaluations.

1.5.9 Our hope is that this audit report – and the information provided in our AGLG Perspectives series booklet – will assist the Regional District of Fraser-Fort George in enhancing its procurement practices and delivering value for the tax dollars it spends.



Gordon Ruth, FCPA, FCGA
Auditor General for Local Government

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EXECUTIVE SUMMARY

We found that the Regional District of Fraser-Fort George had, for the most part, well-developed principles, bylaws, policies and procedures in place for managing operational procurement.

1.5.10 We undertook performance audits on operational procurement because local governments spend significant taxpayer funds for purchased goods and services in support of their daily operations and effective management provides opportunities to contain costs and/or enhance program delivery.

What We Examined

1.5.11 Our objective was to determine whether the Regional District of Fraser-Fort George managed operational procurement strategically and with due regard for value-for-money during the audit period of 2010 through 2012. Our findings are based on our review of the Regional District's procurement policies, procedures and practices. We undertook a review of procurement data and supporting documentation, interviewed staff and selected 25 operational procurement transactions for detailed review. We assessed Fraser-Fort George's internal controls and whether these were respected. We examined the procurement tools the Regional District used and its reporting of results.

What We Found

1.5.12 Overall, we found that the Regional District of Fraser-Fort George had, for the most part, well-developed principles, bylaws, policies and procedures in place for managing operational procurement with due regard for value for money. In addition, we found that staff substantially complied with the requirements for competitive processes

outlined in the Regional District's policies and bylaws. The Regional District of Fraser-Fort George also pursued opportunities to achieve best value by exploring and implementing innovative practices.

1.5.13 However, we found that the Regional District's policies had important gaps requiring attention. Also, we found that Fraser-Fort George had only a limited strategic focus on operational procurement as the Regional District's strategic priorities document lacked actions or objectives for operational procurement or related processes. Additionally, Fraser-Fort George lacked a system to gather, analyze, monitor and report on operational procurement.

1.5.14 Through our testing of sample procurement transactions, we noted instances where staff did not follow the Regional District's procurement policy. In addition, Fraser-Fort George's policies and procedures were in need of updating and improvement, most significantly in areas related to conflict of interest and its purchasing authority bylaw.

Management of Operational Procurement

1.5.15 The Regional District defined its procurement structure as decentralized, meaning that there was no purchasing department with overall responsibility for purchasing goods and services for all departments. Staff members in various departments independently worked to fulfill their purchasing needs with the guidance of the general manager of financial services. Each

EXECUTIVE SUMMARY

department was responsible for identifying the goods and services it required. Staff would then purchase them following the requirements of the Regional District's purchasing policy.

A Focus on Operational Procurement

1.5.16 We found that the Regional District Board established strategic priorities, which drove budgets for each service unit. The strategic priorities document also included operating principles to guide procurement activities. The Board also approved approximately 90 contracts during open board meetings held between 2010 and 2012 with values, as documented in the minutes, ranging from approximately \$1,500 to \$245,050.

1.5.17 Notwithstanding this direct involvement of the Board in approving larger procurement transactions, we found that the Regional District did not establish objectives or actions for operational procurement and related processes and did not develop or monitor key performance indicators related to operational procurement.

1.5.18 The Regional District demonstrated its efforts to generate value for money through a range of initiatives, including centralized purchasing of certain supplies, partnering with member municipalities for group buying and researching potential savings through alternative ways of delivering some services.

Procurement-Related Policies

1.5.19 We found that Fraser-Fort George's policies and procedures to guide operational procurement were generally sound, but had some important gaps where updating and improvement was required. This includes the Regional District's purchasing policy, its procurement card agreement and its conflict of interest policy.

What the Sampled Transactions Showed

1.5.20 Our review of operational procurement transactions found instances where staff did not fully follow procurement policies in four of the 25 reviewed transactions. One involved deviations from the established purchasing policy, while three involved purchases taking place without the appropriate authorization as required under the Regional District's purchasing authority delegation bylaw.

1.5.21 We also identified a number of positive points such as consistent compliance with guidelines on direct contract awards and good use of the BC Bid website and the Regional District's website to advertise procurement competitions.

EXECUTIVE SUMMARY

Gaps in Information, Analysis, Monitoring & Reporting

1.5.22 We found that, although the Regional District took steps to align its operational procurement activities with its overall strategic directions, it did not have a monitoring approach to operational procurement that included reporting against key performance indicators.

1.5.23 We found that Fraser-Fort George gathered and analyzed only a limited amount of procurement-related information. This included information on tendered competitive processes and the number of postings on BC Bid.

1.5.24 We also found an absence of reporting from staff to the Board on procurement results, which limited the Board's ability to fulfill its oversight responsibility and ensure it was obtaining best value in its operational procurement.

Conclusion

1.5.25 The audit set out to determine whether – during the period covered by the audit – the Regional District of Fraser-Fort George managed operational procurement strategically and with due regard for value for money. Overall, we found that the Regional District mostly achieved this objective.

1.5.26 We found policies, procedures and practices intended to help achieve value for money and some instances of non-compliance with these policies. We also noted important gaps in policies, the lack of an overall strategic approach to operational procurement and the absence of processes to gather data and monitor key performance indicators relating to operational procurement.

1.5.27 To more effectively manage its operational procurement, the Regional District needs to update and improve its policies and procedures and enhance its documentation, monitoring, analysis and reporting of procurement activities. By making these changes and adopting a comprehensive strategic approach to operational procurement, the Regional District could do an even better job of ensuring value for money in its operational procurement.

EXECUTIVE SUMMARY

EXHIBIT 1:
Summary of
Recommendations

ISSUES	RECOMMENDATIONS
<p>Procurement and Conflict of Interest Policies and Procedures</p>	<p>1 The Regional District of Fraser-Fort George should improve its purchasing and conflict of interest policies and procedures by updating them to address gaps. Specific areas requiring attention include:</p> <ul style="list-style-type: none"> • Policy updates on purchases by installments, spending authorities and responsibilities and non-competitive methods of procurement; • Guidance on procurement principles; • Policy on resolving vendor disputes and evaluating vendor performance; • Guidance for vendors and staff to disclose and sign off on potential conflicts of interest; and, • Provisions to protect employees reporting a known or potential conflict of interest regarding Regional District employees or Board members involved in procurement.
<p>P-card Policies</p>	<p>2 The Regional District of Fraser-Fort George should improve its purchasing card policies by updating them to address gaps and formalize existing good practice to ensure adequate documentation of the review process. Specific areas requiring attention include:</p> <ul style="list-style-type: none"> • Provisions on split purchases and explicit guidance to not exceed limits; • Provisions to limit purchases made on behalf of another employee; and, • Requirements for the formal documentation of the review process and results.
<p>Information, Analysis, Monitoring and Reporting</p>	<p>3 The Regional District of Fraser-Fort George should improve its information, analysis, monitoring and reporting on operational procurement activities and results by:</p> <ul style="list-style-type: none"> • Developing and implementing key performance indicators relating to operational procurement and a system to monitor them; and, • Increasing reporting to the Board about operational procurement expenditures, activities and results.

INTRODUCTION

Effective management of operational procurement provides local governments with opportunities to contain costs and/or enhance program delivery.

1.5.28 This report presents the results of a performance audit conducted by the Auditor General for Local Government of British Columbia (AGLG) under the authority of the *Auditor General for Local Government Act*.

1.5.29 We conducted this audit under one of six audit themes outlined in our 2013/14 – 2015/16 Service Plan: “Fiscal and Sustainability Planning, Capacity and Internal Operations.” Following our identification of audit themes, we selected specific audit topics for audits launched during 2013/14, including the topic of this performance audit: “Achieving Value for Money in Operational Procurement.”

1.5.30 We identified this topic as a priority because local governments spend significant taxpayer funds for the purchase of goods and services in support of their daily operations. Effective management of operational procurement provides local governments with opportunities to contain costs and/or enhance program delivery. In our performance audit planning, we found a high level of interest among local governments in making sure purchasing practices result in value for money and enhance program delivery.

1.5.31 We selected the Regional District of Fraser-Fort George and five other local governments to be included in this set of audits through a rigorous performance audit planning process. Our intent was to include a cross-section of local governments across the province, in terms of size, location and other considerations.

Operational procurement is the process of purchasing goods and services a local government needs in support of its ongoing daily operations and programs.

It does not include operating expenses that are not procured, such as staffing costs, or expenditures on agencies that do their own procurement, such as police services and regional libraries. It also does not include “capital purchases,” that is purchases to acquire or better its physical assets.

For the purposes of this audit, we have excluded non-discretionary purchases available from only a single supplier such as water and electrical utilities.

Operational procurement is a process that begins with an initial concept of a requirement and ends with the completion of all post contractual actions.

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1.5.32 The other local governments we audited on this topic are Corporation of Delta (complete), City of Vernon (complete), District of West Vancouver (complete), Comox Valley Regional District (complete) and City of Revelstoke.

1.5.33 Operational procurement is prevalent in local governments, involving a large number of transactions for a diverse range of goods and services. As this is an area where we anticipate strategic and effective procurement practices may result in cost savings and/or more effective program delivery, we may consider conducting more audits in this area in the future.

Regional Districts and Operational Procurement

Regional Districts differ from municipalities in several ways. They are a form of local government in British Columbia that provides services over areas that may include several municipalities as well as unincorporated areas located within their boundaries. With the exception of two areas in the north of the province, all of British Columbia is included in a regional district.

Governed by a board composed of representatives of the municipalities and the unincorporated electoral areas located within its boundaries, a regional district may carry out a variety of functions, some mandated by the provincial government and some voluntarily taken on at the discretion of locally elected officials. These may include general services such as administration, management of development and regional planning as well as shared services provided to local areas or an entire region, such as fire protection, garbage collection, water supply, sewage collection and treatment and many others. The nature of the services provided by regional districts varies widely across the province.

Regional district budgeting is somewhat different than that of municipalities, as regional districts must budget by function and include all costs and revenues related to each function.

The process of procuring goods and services in support of regional district operations is essentially the same as that used by a municipality, although the specific items purchased will vary. Because this audit focuses more on the procurement process than on the specific nature of what is being procured, our audit work on the topic with regional districts was very similar to our work with the municipalities we audited on the same topic.

INTRODUCTION

Operational procurement can be challenging for local governments of all sizes to manage strategically.

Operational Procurement

1.5.34 All local governments carry out operational procurement, much of it taking place on a day-to-day basis. While the size of individual transactions can vary widely, the total amount spent through operational procurement is significant. In the case of the Regional District of Fraser-Fort George, we have estimated operational procurement spending accounted for approximately 33 per cent of operating expenditures in 2012.

1.5.35 Operational procurement can be challenging for local governments of all sizes to manage strategically because of its inherent characteristics:

- It can involve widely varying types of goods and services;
- It often involves a relatively high volume of transactions;
- For many local governments, it involves a relatively large number of suppliers;
- Individual transactions may vary widely in value;
- It is often carried out by a relatively large number of people in the organization;
- Local government financial systems are not always set up to capture procurement transactions easily and holistically; and,
- Procurement information and documentation in support of transactions tends to be dispersed across the organization.

1.5.36 These characteristics may make it difficult for a local government to quantify its operational procurement and easy for it to underestimate the significance of operational procurement and the potential for generating savings or enhancing service delivery. As a result, some local governments may approach operational procurement as a series of individual transactions rather than as an overall process running the breadth of the organization.

1.5.37 As operational procurement is sometimes monitored only informally, in the course of overseeing operating budgets, some local governments may support the function mainly through ad hoc initiatives rather than a more effective, systematic and strategic approach.

1.5.38 In the face of these challenges, some local governments focus on good management of individual operational procurement transactions. This may involve mandating the use of competitive procurement tools for relatively small dollar value transactions in order to maximize value for money. Such a decision depends on the specific circumstances of the local government and the perceived risks and rewards.

1.5.39 These local governments tend to measure the success of their procurement activities mainly by looking at whether contracts were let competitively and the extent to which departments stay within their budgets.

INTRODUCTION

Local governments that manage their operational procurement strategically know that small savings on individual transactions can add up to very significant overall savings.

1.5.40 This type of management can be supported by strong policies and procedures guiding procurement, which – if compliance is monitored and enforced – can help ensure consistency in the use of good practices.

1.5.41 Some local governments enhance their procurement practices by establishing a central procurement function mandated to drive efforts to generate best value in procurement throughout the organization.

1.5.42 The most advanced local governments use these same tools while basing their operational procurement activities on a foundation of strategic management (see the definition in the Strategic Approach box). These local governments set clear objectives for their procurement function and use meaningful performance indicators to track success. They gather data on costs and analyze it with a clear focus on continually pursuing best overall value.

1.5.43 Local governments that manage their operational procurement strategically know that small savings on individual transactions can add up to very significant overall savings when they are applied rigorously to large numbers of transactions throughout the organization. They gather and analyze the information they need to distinguish between measures likely to generate significant savings and those where implementation costs are likely to be greater than any savings.

When we talk about a **strategic approach** to operational procurement, we mean a focus on operational procurement as a key activity of a local government.

A local government that manages operational procurement strategically uses clear and quantifiable objectives to identify strategies for improvement and develops performance indicators to measure their success.

The local government monitors how procurement is carried out and its outcomes. Staff analyze and use the resulting information to report to management, the council/board and ultimately to the public.

Ultimately, strategic management of operational procurement is all about better information for decision-making and ensuring value for tax dollars.

Our Expectations

1.5.44 When we assess a local government's operational procurement practices, we recognize that local governments have significantly varying experience, knowledge and resources to carry out this work.

1.5.45 We therefore expect a local government to have in place operational procurement policies, procedures and practices scaled to its size and resources. These include:

- A well-defined approach to operational procurement, with clearly assigned roles and responsibilities to carry it out.
- Strong policies and procedures – periodically reviewed and updated as necessary – to guide procurement activities.
- Knowledge of the local government's most

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significant areas of operational procurement expenditure, with clear strategies to achieve best value in these areas.

- The collection and retention of cost information necessary to calculate potential savings through the use of various procurement tools.
- A good understanding of key procurement risks and how they are identified, monitored and mitigated.
- Monitoring of performance and regular reporting to the council/board and the public on the local government's operational procurement activities.

What We Examined

1.5.46 The overall objective of this performance audit was to determine the extent to which the Regional District of Fraser-Fort George managed operational procurement strategically and with due regard for value for money.

1.5.47 Our findings are based on our review of the Regional District's operational procurement policies, procedures and practices between 2010 and 2012. We undertook a review of procurement data and supporting documentation and we interviewed Fraser-Fort George staff.

1.5.48 In addition, we selected 25 operational procurement transactions relating to the period covered by the audit for detailed review. We selected these transactions on a judgemental basis in order to gain an understanding of the types of operational procurement transactions

the Regional District undertook and how they complied with its policies and procedures.

1.5.49 The audit also assessed whether the Regional District had put in place sufficient internal controls over procurement and whether these were respected. We examined the tools Fraser-Fort George used to pursue best value in operational procurement and its reporting of results.

1.5.50 Our audit work primarily covered the procurement process up to the point of awarding contracts. We did not assess contract administration following contract award other than looking at how the Regional District monitored vendor performance.

1.5.51 We provide details about the audit objective, scope, approach and criteria in the [About the Audit](#) section, near the end of this report.

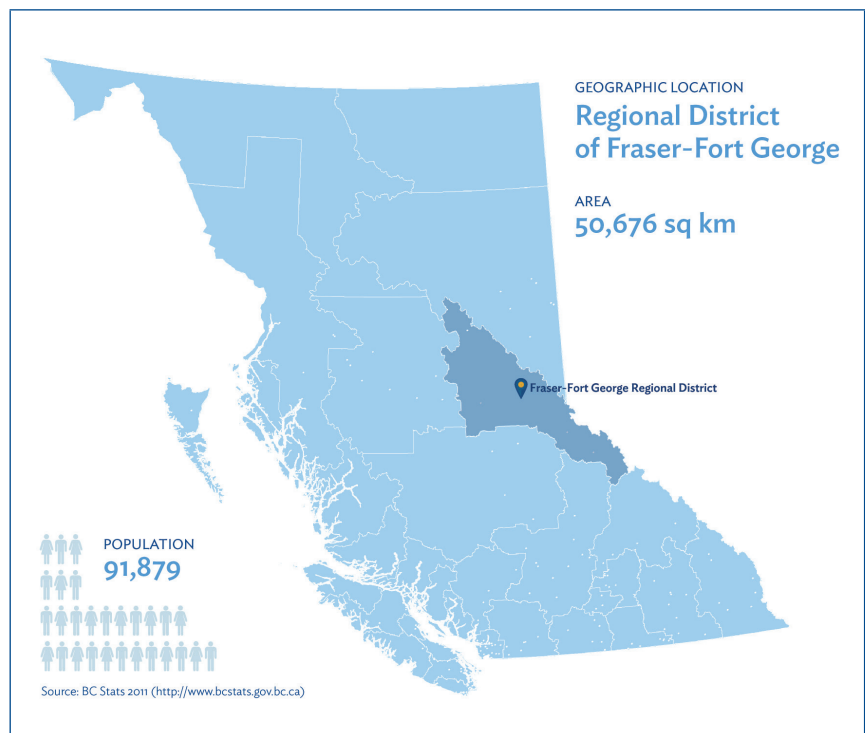
CONTEXT

1.5.52 The Regional District of Fraser-Fort George is located in the central interior of British Columbia, bordered by Alberta to the east. It was incorporated on March 8, 1967. Like other regional districts, Fraser-Fort George is a federation of local municipalities and rural areas. It includes the city of Prince George, the District of Mackenzie, the Village of McBride, the Village of Valemount, Electoral Area A (Salmon River-Lakes), Electoral Area C (Chilako River-Nechako), Electoral Area D (Tabor Lake-Stone Creek), Electoral Area E (Woodpecker-Hixon), Electoral Area F (Willow River-Upper Fraser Valley), Electoral Area G (Crooked River-Parsnip) and Electoral Area H (Robson Valley-Canoe).

1.5.53 The Regional District covers a land area of 50,676 square kilometers and had a population of 91,879 as of 2011. The median age of Fraser-Fort George residents in 2011 was 39.5 years, which was slightly lower than the Canadian median age of 40.6 years.

1.5.54 As of 2012, the Regional District had approximately 85 employees.

EXHIBIT 2: Regional District of Fraser-Fort George Visual Facts



CONTEXT

The Regional District of Fraser-Fort George's estimated operational procurement averaged about \$12 million per year during the period covered by the audit.

1.5.55 Exhibit 3 shows that the Regional District's expenditures and operating surplus changed slightly between 2010 and 2012.

Regional District of Fraser-Fort George's Operational Procurement Expenditures

1.5.56 The Regional District of Fraser-Fort George's estimated operational procurement averaged about \$12 million per year during the period covered by the audit. Exhibit 4 shows an estimate of these expenditures compared to the Regional District's other operational expenditures.

EXHIBIT 3: Regional District of Fraser-Fort George Revenues and Expenditures 2010-2012 (\$ millions)

REVENUE	2010	2011	2012	CHANGE 2010-2012
Taxation Revenue	\$ 16.3	\$ 16.3	\$ 17.3	+6.1%
Non-Taxation Revenue	\$ 23.3	\$ 23.4	\$ 21.5	-7.7%
Total Revenue	\$ 39.6	\$ 39.7	\$ 38.8	-2.0%
Expenditures	\$ 37.5	\$ 36.1	\$ 36.5	-2.7%
Operating Surplus (Deficit)	\$ 2.1	\$ 3.6	\$ 2.3	+9.5%

EXHIBIT 4: Regional District of Fraser-Fort George Estimated Operational Procurement Compared to Total Operating Expenditures, 2010-2012 (\$ millions)

REVENUE	2010	2011	2012	CHANGE 2010-2012
Estimated operational procurement expenditures	\$ 12.2	\$ 12.7	\$ 12.1	-0.8%
Estimated other operational expenditures	\$ 25.3	\$ 23.4	\$ 24.4	-3.6%
Total operating expenditures	\$ 37.5	\$ 36.1	\$ 36.5	-2.7%
Estimated operational procurement expenditures as % of total operating expenditures	32.5%	35.2%	33.2%	-

Note: This exhibit estimates operational procurement based on information in the Regional District of Fraser-Fort George's Audited Financial statements and information provided by the Regional District.

Estimated other operational expenditures include expenses such as: personnel costs, grants, debt charges, transfers to other local governments, amortization of tangible capital assets, and sole source utilities expenditures.

FINDINGS

Overall, we found that the Regional District of Fraser-Fort George had, for the most part, well-developed principles, bylaws, policies and procedures for managing operational procurement.

1.5.57 Overall, we found that the Regional District of Fraser-Fort George had, for the most part, well-developed principles, bylaws, policies and procedures for managing operational procurement with due regard for value for money. In addition, we found that staff substantially complied with the Regional District's requirements for competitive processes. The Regional District of Fraser-Fort George also pursued opportunities to achieve best value by exploring and implementing innovative practices.

1.5.58 However, we found that the Regional District's policies had important gaps where updating and improvement was required. We also found that Fraser-Fort George had only a limited strategic focus on operational procurement as the Regional District's strategic priorities document lacked objectives or actions for operational procurement or related processes. Additionally, Fraser-Fort George lacked a system to gather, analyze, monitor and report on operational procurement.

1.5.59 Through our testing of sample procurement transactions, we noted instances where staff did not follow the Regional District's procurement policy. In addition, Fraser-Fort George's policies and procedures were in need of updating and improvement, most significantly in areas related to conflict of interest and its purchasing authority bylaw.

The Regional District's Management of Operational Procurement

1.5.60 Effective procurement is based on the principles of fairness, openness and transparency. When using public funds to buy services or goods, procurement processes must be conducted prudently, with integrity, consistently with the local government's policies and able to withstand the test of public scrutiny.

1.5.61 The Regional District of Fraser-Fort George's procurement framework consisted primarily of policies covering purchasing, a purchasing procedure and reference guide and a decentralized procurement process with the general manager of financial services providing overall oversight and guidance to procurement across the organization. The documents included a set of guidelines for when to use different procurement methods.

1.5.62 The Regional District used a variety of methods to carry out procurement, including individual purchase orders, standing purchase orders, procurement cards and stand-alone contracts.

FINDINGS

A Decentralized Procurement Function

1.5.63 The Regional District defined its procurement structure as decentralized, meaning that there was no purchasing department with overall responsibility for purchasing goods and services for all departments. Staff members in various departments independently worked to fulfill their purchasing needs with the guidance of the general manager of financial services. Each department was responsible for identifying the goods and services it required. Staff would then purchase them following the requirements of the purchasing policy as indicated in Exhibit 5.

1.5.64 The general manager of financial services provided oversight of the procurement process and was responsible for being involved to various degrees in individual procurement transactions. This included assisting in the development of procurement documents (such as direct awards, purchase orders, requests for proposals, tenders and contracts) and approving the advertising of competitions on the Internet.

Acquisition Authority and Competitive Procurement Requirements

1.5.65 Exhibit 5 indicates the staff positions authorized to make purchases for the Regional District at particular dollar levels. The Regional District of Fraser-Fort George Board approved this through its Purchasing Authority Delegation bylaw, which delegated its authority over operational procurement to staff for transactions up to \$25,000. Board approval was required for all transactions valued above \$25,000.

EXHIBIT 5: Regional District of Fraser-Fort George Acquisition Authority

PROCUREMENT OF GOODS AND SERVICES	
Purchases Up to \$5,000	Officers, general managers and managers who are delegated purchase authority in Bylaw 2542 Appendix A. Any position (for example an employee, volunteer firefighter, or committee member) may be sub-delegated purchasing authority of up to \$5,000.
Purchases from \$5,000 Up to \$10,000	Officers, general managers and managers who are delegated purchase authority in Bylaw 2542 Appendix A.
Purchases from \$10,000 Up to \$25,000	The General Manager of Financial Services and the Chief Administrative Officer are authorized to spend up to \$25,000 in a single transaction when acting jointly with any officer, general manager or manager delegated purchase authority in Bylaw 2542 Appendix A.
Purchases from \$25,000, and Up	Regional District Board approval for all contracts or agreements.

Source: Regional District of Fraser-Fort George Bylaw No. 2542 – Purchasing Authority Delegation.

FINDINGS

1.5.66 The Regional District’s Procurement of Goods and Services policy directed staff to employ fair, equitable and objective methods to procure goods and services based on principles of best value. The policy provided various mechanisms to manage procurement, including:

- **Public tenders** to obtain competitive pricing from suppliers at large through the solicitation of sealed bids;
- **Quotations** to request verbal or written commitment by a supplier to provide goods or services for a specified price;
- **Requests for proposals (RFP)** to solicit proposed solutions to the Regional District’s specific needs, objectives or required deliverables. These opportunities may be open or by invitation and generally resulted in negotiations with one or more successful vendors;
- **Selective procurement** to gather information on the expertise and qualifications of potential suppliers for future procurement; and,
- **Sole sourcing** to procure goods from a single supplier without a formal competitive bidding or pricing process.

1.5.67 Exhibit 6 summarizes the Regional District’s requirements, set out in its procurement policy, for using competitive processes for the purchase of goods and services. The policy permitted sole source procurement for purchases under \$2,500, but required that all purchases over \$2,500 be procured competitively through either written or verbal quotations, public tenders, or requests for proposals.

A Focus on Operational Procurement

Board Involvement in Strategic Procurement

1.5.68 The Regional District of Fraser-Fort George Board, with input from management, developed the Regional District’s strategic priorities, which drove budgets for each service unit. The strategic priorities document also included operating principles to guide procurement activities. Between 2010 and

EXHIBIT 6: Regional District of Fraser-Fort George Competitive Procurement Requirements

ACQUISITION OF GOODS AND SERVICES	
Purchases Up to \$2,500	<ul style="list-style-type: none"> • Sole Source • Verbal Quotations • Written Quotations
Purchases from \$2,500 Up to \$10,000	<ul style="list-style-type: none"> • Verbal Quotations • Written Quotations • Public Tender • Request for Proposal
Purchases from \$10,000 Up to \$25,000	<ul style="list-style-type: none"> • Written Quotations • Public Tender • Request for Proposal
Purchases from \$25,000, and Up	<ul style="list-style-type: none"> • Public Tender • Request for Proposal

Source: Regional District of Fraser-Fort George Procurement of Goods and Services Corporate Policy No. RD-03-09.

FINDINGS

Although the Board provided high level guidance and had direct involvement in approving larger procurement transactions, we found that the Regional District lacked a comprehensive strategic approach to operational procurement.

2012, the Board was regularly informed of and/or approved operational procurement processes such as RFPs, contract extensions and public tenders. The Board approved approximately 90 contracts during open board meetings held between 2010 and 2012 with values, as documented in the minutes, ranging from approximately \$1,500 to \$245,050.

1.5.69 Although the Board provided high level guidance and had direct involvement in approving larger procurement transactions, we found that the Regional District lacked a comprehensive strategic approach to operational procurement. Specifically, the Regional District did not establish objectives or actions for operational procurement and related processes and did not develop or monitor key performance indicators related to operational procurement.

Efforts to Generate Value for Money

1.5.70 The Regional District demonstrated an effort to generate value for money in the Board's decision to outsource 9-1-1 operations. While the Board made its final decision on this change after the period covered by the audit, the process leading to this decision began in 2012. The Regional District estimated it could save up to \$1.8 million over five years by outsourcing 9-1-1 operations while maintaining the level of service expected by the community; we did not audit these statements or whether these results are being achieved.

1.5.71 Fraser-Fort George staff also told us about other initiatives where the Regional District worked to enhance procurement

processes and generate value for money. Some examples included:

- The use of Provincial Corporate Supply Arrangements to benefit from economies of scale for purchases of accommodation and cellphone service;
- Centralizing the purchasing of certain supplies across the organization;
- Partnering with member municipalities for group buying initiatives ;
- Adding risk-sharing provisions to its contracts; and,
- Coordinating buying initiatives for its 13 volunteer fire and three rescue departments.

Procurement-Related Policies

1.5.72 Complete, clear and up-to-date procurement-related policies and procedures are essential for local governments to ensure consistency in their efforts to achieve best value for tax dollars. This is particularly important as staff come and go over time.

Purchasing Policy

1.5.73 An effective purchasing policy includes several key components:

- It is comprehensive, providing sufficient and appropriate guidance to staff and suppliers to communicate expectations.
- Its formatting and language make it easy to understand and follow as a guide.
- Policy statements are presented with sufficient depth to provide clear and

FINDINGS

We found that Fraser-Fort George's policies to guide operational procurement were generally sound, but had some important gaps.

- unambiguous direction.
- It includes clear guidance on ethical conduct and conflict of interest.

1.5.74 Regardless of their size, all local governments should have clear policies focused on encouraging the use of competitive procurement, preventing misconduct and ensuring value for money.

1.5.75 The Regional District of Fraser-Fort George's purchasing authority delegation bylaw delegated purchasing authority up to \$25,000 per transaction to staff. The bylaw was in effect during the period covered by the audit and was amended in 2012.

1.5.76 During the period covered by the audit, the Regional District also had a Procurement of Goods and Services policy that established a consistent approach to procurement to ensure that best value was obtained when spending public funds.

1.5.77 We found that Fraser-Fort George's policies to guide operational procurement were generally sound, but had some important gaps.

Purchase by Installments

1.5.78 The purchasing authority delegation bylaw set a spending limit per transaction for specific staff positions. However, the bylaw included a "purchase by installments" clause, which – in the case of transactions requiring payment to be made by the Regional District over more than one year – applied the spending limit of each staff position to the annual installment amount rather than the total agreement price. Consequently, this provision

permitted an employee to authorize a purchase with a total cost far exceeding their position's spending limit, as long as the per-year amount did not exceed their authorized limit.

1.5.79 For example, a manager with a limit of \$10,000 per transaction could enter into a three year contract valued at \$30,000 if the agreement called for three installments of \$10,000 per year.

Guidance on Procurement Types

1.5.80 Although the Regional District's bylaws and policies provided some guidance on spending authorities, procurement methods and limits, they lacked guidance specific to different procurement types such as general operational, consulting or services, rental and lease agreements, land and building purchases.

Non-competitive Methods of Procurement

1.5.81 The purchasing policy provided guidance on competitive methods of procurement, such as quotations, RFPs and tenders, but lacked guidance on non-competitive methods of procurement such as direct awards, emergency situations, or petty cash.

Vendor Performance

1.5.82 While the Regional District provided guidance on debriefing unsuccessful bidders, we found no direction in policy or procedures on how staff should work with vendors, assess vendor performance or resolve disputes.

Contracting for Goods and Services

1.5.83 Fraser-Fort George's purchasing policy lacked language around risk mitigation. However, we found that, in practice, the

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We also found several gaps in the Regional District's conflict of interest policies.

Regional District had made an effort to share risk with vendors. For example, some contracts included a fuel surcharge that increased or decreased based on fuel prices.

Other Guiding Procurement Principles

1.5.84 The Regional District's purchasing policy lacked references to the treatment of unsolicited proposals from suppliers or the use of sub-contractors.

Lack of Alignment between Policy and Procedures

1.5.85 The Regional District's procurement policy and procedural guide had different instructions to staff on when quotes were required for purchases under \$2,500.

Purchasing Card Policy

1.5.86 During the period covered by the audit, Regional District of Fraser-Fort George guidelines required staff to use procurement and payment cards, referred to as 'P-cards,' where possible, for purchases up to \$2,500.

1.5.87 The Regional District had approximately 28 P-cards in circulation during 2012, held by approximately 33 per cent of all staff. In total, these were used an average of 1,350 times per year. Between 2010 and 2012, the average annual cost of all purchases made by Fraser-Fort George P-cards was \$174,835, which represented 0.48 per cent of operational procurement expenditures during the period.

1.5.88 The Regional District had a P-card agreement for staff, which outlined the purpose of the P-card, conditions for its use and

requirements for the documentation and reporting of purchases.

1.5.89 We noted that this agreement lacked clear direction for staff on:

- Split purchases or purchases exceeding prescribed limits; and,
- Purchases made on behalf of an employee's manager or supervisor (it did not specify whether a supervisor was permitted to direct a subordinate to make a purchase on their behalf).

1.5.90 The general manager of financial services told us that she and accounting staff reviewed P-card transactions monthly for reasonableness. However, we found that – other than the accounting staff's sign-off on an internal invoice report – the Regional District did not document this process or its results.

Ethical Requirements

1.5.91 We were told that new staff were made aware of the Regional District's conflict of interest policy during their departmental orientation; however this process was not documented. Statutory rules in the *Community Charter* outlined the ethical requirements for Board members.

1.5.92 While aspects of the conflict of interest policy remained relevant, it had not been updated since it was first published in 1985 and focused primarily on employee and Board interaction.

1.5.93 We also found several gaps in the Regional District's conflict of interest policies, including:

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- No requirement for employees involved in procurement to annually review conflict of interest requirements and sign off to indicate their understanding and acceptance.
- No requirement for the Regional District to maintain a list of known potential conflicts of interest to share with staff involved in procurement.
- No standardized requirement for vendors to disclose potential conflicts of interest.
- No provision to protect employees reporting a known or potential conflict of interest regarding other Regional District employees or Board members involved in procurement.

What the Sampled Transactions Showed

1.5.94 We undertook detailed testing of 25 operational procurement transactions entered into by the Regional District of Fraser-Fort George between 2010 and 2012. This sample – which was not intended to necessarily be representative of all operational procurement carried out by the Regional District – included nine direct award transactions, one purchase card transaction and 15 competitive processes. For each transaction, we focused on the need for the procurement, due diligence, appropriate approvals and the preparation and keeping of appropriate documentation.

Lack of Compliance with Policies

1.5.95 Our review found that there were instances where staff did not fully follow procurement policies in four of the 25 transactions.

Deviation from Purchasing Policy

1.5.96 We found one instance where there was no contract in place for a recurring service valued at between \$5,000 and \$10,000. Regional District policy required three quotes in the procurement of such services. Fraser-Fort George continued to pay for the service through an annual standing purchase order without executing a competitive process as required by policy.

Improper Signing Authority

1.5.97 Staff were required to obtain appropriate approval for purchases based on the Regional District's purchasing authority delegation bylaw, as indicated in Exhibit 5. However, in three instances, staff exceeded their authorized purchasing limits for transactions that were otherwise appropriate.

Evidence of Appropriate Procurement Practices

1.5.98 In our review of the sampled transactions, we also identified a number of positive points:

- In all instances of a direct award, we found that the Regional District's direct award guidelines were followed.
- In all instances where a full competitive procurement process was used, we found evidence that staff advertised the competitions using the BC Bid website and the Regional District of Fraser-Fort George website.

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A local government's only way to really know how it is performing is to gather information relating to procurement from across the organization, analyze it, monitor procurement results and report on them.

Gaps in Information, Analysis, Monitoring & Reporting

1.5.99 Performance measurement can provide a local government with the information it requires to act on opportunities to achieve better value for money in its operations.

1.5.100 Given the pervasive and sometimes disparate nature of operational procurement, a local government's only way to really know how it is performing is to gather information relating to procurement from across the organization, analyze it, monitor procurement results and report on them. In the absence of these steps, decisions on how to carry out procurement cannot be fully informed.

Lack of Key Performance Indicators

1.5.101 We found that, although the Regional District of Fraser-Fort George took steps to align its operational procurement activities with its overall strategic directions, it did not have a monitoring approach to operational procurement that included reporting against key performance indicators.

1.5.102 For example, the Regional District did not analyze how much of its operational expenditures were discretionary. Discretionary operational expenditures means managed operational expenditures where better value could be achieved through a competitive process.

Basic Information, Analysis, Monitoring and Reporting

1.5.103 As discussed previously, staff told us that the Regional District's finance department conducted a regular review of P-card transactions. However, while accounting staff signed off on the reasonableness of reviewed transactions, neither the process nor its results were documented.

1.5.104 We also found that Fraser-Fort George gathered and analyzed only a limited amount of procurement-related information. This included information on tendered competitive processes and the number of postings on BC Bid.

Reporting on P-cards and Enhanced Transparency

Local governments wanting to enhance their accountability to taxpayers may want to consider new tools to make their procurement more transparent.

One such tool is the regular online publication of P-card reports and similar information on procurement activity. This can be published online on a regular basis, such as quarterly.

Using a web-based tool such as this, a local government can enhance its transparency and accountability and help ensure that its public procurement is effective, efficient and free of waste and corruption.

Such a tool is being used successfully by the Province of B.C. Local governments considering implementing a similar measure will need to consider the resources required to implement it.

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Absence of Reporting to the Board

1.5.105 As mentioned previously, staff brought operational procurement contracts over \$25,000 to the Board for approval. However, Regional District policy did not require information about procurement activities to be reported to the Board. Nor did Fraser-Fort George have any standardized reporting tools or processes for informing the Board about operational procurement expenditures or activities.

1.5.106 We found that between 2010 and 2012, the Board did not receive any reports on key performance indicators relating to operational procurement, economies of scale information, or data about whether value for money was achieved on operational procurement transactions.

1.5.107 In the absence of reporting from staff to the Board on procurement results, it is difficult for Board members to be aware of the Regional District's operational procurement trends. This gap limits the Board's ability to fulfill its oversight responsibility and ensure it is obtaining best value in its operational procurement.

Developing an Approach to Performance Measurement

A local government's approach to performance measurement and analysis may vary based on the organization's size and complexity. Key performance indicators related to operational procurement should be aligned with the local government's overall goals, objectives and strategies as well as its specific objectives for its procurement function. These measures should demonstrate the extent to which the local government's procurement efforts are successful, drawing on data its information systems can generate, given the local government's capacity and resources.

Local governments may wish to explore opportunities to work cooperatively with other nearby local governments on the development of performance measurement and analysis tools, as there may be opportunities to cost share initiatives in this important area.

CONCLUSION

The Regional District needs to update and improve its policies and procedures and enhance its documentation, monitoring, analysis and reporting of procurement activities.

1.5.108 The audit set out to determine whether – during the period covered by the audit – the Regional District of Fraser-Fort George managed operational procurement strategically and with due regard for value for money. Overall, we found that the Regional District mostly achieved this objective.

1.5.109 We found that the Regional District has put in place procurement policies, procedures and practices intended to help achieve value for money in operational procurement, and demonstrated efforts to achieve best value. Through our testing of sample procurement transactions, we found that staff substantially complied with the Regional District's requirements for competitive processes.

1.5.110 However, we also found some instances of non-compliance with the Regional District's purchasing policies and some important gaps in these policies. In addition, the Regional District lacked strategic objectives for operational procurement and processes to gather and monitor key performance indicators.

1.5.111 To more effectively manage its operational procurement, the Regional District needs to update and improve its policies and procedures and enhance its documentation, monitoring, analysis and reporting of procurement activities. By making these changes and adopting a comprehensive strategic approach to operational procurement, the Regional District could do an even better job of ensuring value for money in its operational procurement.

RECOMMENDATIONS

Recommendation 1

The Regional District of Fraser-Fort George should improve its purchasing and conflict of interest policies and procedures by updating them to address gaps. Specific areas requiring attention include:

- Policy updates on purchases by installments, spending authorities and responsibilities and non-competitive methods of procurement;
- Guidance on procurement principles;
- Policy on resolving vendor disputes and evaluating vendor performance;
- Guidance for vendors and staff to disclose and sign off on potential conflicts of interest; and,
- Provisions to protect employees reporting a known or potential conflict of interest regarding Regional District employees or Board members involved in procurement.

Recommendation 2

The Regional District of Fraser-Fort George should improve its purchasing card policies by updating them to address gaps and formalize existing good practice to ensure adequate documentation of the review process. Specific areas requiring attention include:

- Provisions on split purchases and explicit guidance to not exceed limits;
- Provisions to limit purchases made on behalf of another employee; and,
- Requirements for the formal documentation of the review process and results.

Recommendation 3

The Regional District of Fraser-Fort George should improve its information, analysis, monitoring and reporting on operational procurement activities and results by:

- Developing and implementing key performance indicators relating to operational procurement and a system to monitor them; and,
- Increasing reporting to the Board about operational procurement expenditures, activities and results.

SUMMARY OF LOCAL GOVERNMENT'S COMMENTS


**REGIONAL DISTRICT
of Fraser-Fort George**

Head Office:
155 George Street
Prince George, BC
V2L 1P8

Telephone:
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Long Distance
from within
the Regional District:
1-800-667-1959

Fax: (250) 563-7520

<http://www.rdfg.bc.ca>

Municipalities:

McBride
Mackenzie
Prince George
Valemount

Electoral Areas:

Chilako River-Nechako
Crooked River-Parsnip
Robson Valley-Canoe
Salmon River-Lakes
Tabor Lake-Stone Creek
Willow River-Upper Fraser
Woodpecker-Hixon

February 18, 2016

BOA 1.8

Gordon Ruth, FCPA, FCGA
Auditor General for Local Government
Suite 201 - 10470 - 152nd Street
Surrey, BC V3R 0Y3

Dear Mr. Ruth:

RE: Fraser-Fort George Regional District Performance Audit

On behalf of the Board of Directors and staff of the Regional District of Fraser-Fort George, I would like to thank the Auditor General for Local Government (AGLG) for including our organization in the Operational Procurement Audit theme. We are appreciative of the professionalism of the AGLG staff involved with the audit and their willingness to engage in meaningful dialogue with our staff in understanding the unique operating realm of regional districts and in developing recommendations that are relevant and achievable as opposed to a one-size fits all approach. We are also pleased to see that the AGLG audit team was able to observe that we have a solid foundation to build on and recognized our efforts to generate value for money.

Participation in this process has been educational for both our elected officials and our staff in being introduced to the concept and practices around performance management in procurement. The Regional District has a culture of continuous improvement in the services we provide and our day-to-day operations. This focus on operational procurement has identified a number of opportunities for the Regional District to implement to ensure that we are achieving value for money in the expenditure of tax dollars as well as increasing our transparency in reporting out our activities. We have already undertaken a number of changes since the commencement of the audit process and are currently reviewing existing bylaws, policies and procedures with a goal to updating these as recommended in your report. Regional District elected officials and staff are also committed to fully understanding the tools and best practices of procurement performance management so that we can determine what types of practices are a best fit for our organization with a goal to implementing those practices.

In closing, on behalf of the Regional District Board and staff of the Regional District of Fraser-Fort George I would like to thank the AGLG office and audit team for their respectful and conscientious work in assessing our practices and providing relevant and achievable recommendations. We look forward to reviewing the future audit work of the AGLG Office and in making full use of the Perspectives Series documents to meet our operating principle of excellence and innovation in the delivery of our services.

Yours truly,

Art Kaehn
Chair

AK:JM:jg

REGIONAL DISTRICT OF FRASER-FORT GEORGE’S ACTION PLAN

AGLG RECOMMENDATION	MANAGEMENT RESPONSE AND NEXT STEPS	PERSON RESPONSIBLE	TIMEFRAME
<p>RECOMMENDATION 1</p> <p>The Regional District of Fraser-Fort George should improve its purchasing and conflict of interest policies and procedures by updating them to address gaps. Specific areas requiring attention include:</p> <ul style="list-style-type: none"> • Policy updates on purchases by installments, spending authorities and responsibilities and non-competitive methods of procurement; • Guidance on procurement principles; • Policy on resolving vendor disputes and evaluating vendor performance; • Guidance for vendors and staff to disclose and sign off on potential conflicts of interest; and, • Provisions to protect employees reporting a known or potential conflict of interest regarding Regional District employees or Board members involved in procurement. 	<p>The Regional District is currently in the process of reviewing existing bylaws, policies, and procedures with a goal to update these documents and introduce new documentation and documentation process to reflect the recommendations provided by the AGLG.</p>	<p>CAO with the assistance of the CFO</p>	<p>August 2016</p>
<p>RECOMMENDATION 2</p> <p>The Regional District of Fraser-Fort George should improve its purchasing card policies by updating them to address gaps and formalize existing good practice to ensure adequate documentation of the review process. Specific areas requiring attention include:</p> <ul style="list-style-type: none"> • Provisions on split purchases and explicit guidance to not exceed limits; • Provisions to limit purchases made on behalf of another employee; and, • Requirements for the formal documentation of the review process and results. 	<p>The Regional District is currently reviewing best practices of other BC local governments in respect of P-Card policies and procedures with the objective of improving current practices through updating existing policies, procedures and documentation.</p>	<p>CFO</p>	<p>August 2016</p>

REGIONAL DISTRICT OF FRASER-FORT GEORGE’S ACTION PLAN

AGLG RECOMMENDATION	MANAGEMENT RESPONSE AND NEXT STEPS	PERSON RESPONSIBLE	TIMEFRAME
RECOMMENDATION 3			
<p>The Regional District of Fraser-Fort George should improve its information, analysis, monitoring and reporting on operational procurement activities and results by:</p>	<p>The concept of performance management in operational procurement is new to our organization. The initial step will be for the Regional District to research best practices on how to implement and use tools such as key performance indicators to establish and monitor procurement performance objectives.</p>	<p>CAO with the assistance of the CFO</p>	<p>November 2016</p>
<ul style="list-style-type: none"> • Developing and implementing key performance indicators relating to operational procurement and a system to monitor them; and, 	<p>The next step will be to develop and implement a public reporting system.</p>	<p>CFO</p>	<p>January 2017</p>
<ul style="list-style-type: none"> • Increasing reporting to the Board about operational procurement expenditures, activities and results. 	<p>Current reporting provides for disbursements to vendors on a quarterly basis. The Regional District is currently investigating the means to enhance current reporting on procurement activities. Initial consideration is being given to reporting on the following:</p> <ul style="list-style-type: none"> • Procurement by category (direct purchase, quotes, tendered and proposal competitive bid processes) • Delegated authority activity • Frequency of Purchasing Card and Purchase Order Use 	<p>CFO</p>	<p>September 2016</p>

ABOUT THE AUDIT

The work completed for this audit was conducted in accordance with Canadian Standards on Assurance Engagements.

Audit Objectives

1.5.112 The overall objective of this performance audit was to determine whether the Regional District of Fraser-Fort George managed operational procurement strategically and with due regard for value for money.

Period Covered by the Audit

1.5.113 The audit covered the period 2010 to 2012. We completed the majority of our audit work by September 2014, but we also received and reviewed some additional information after that date.

Audit Scope and Approach

1.5.114 The audit included a review of Regional District of Fraser-Fort George's performance in managing operational procurement. It did not include procurement by any entities consolidated in the Regional District's financial statements. It also did not include the procurement of physical assets. These were excluded as they were not routine, day-to-day procurement of goods and services.

1.5.115 To carry out the audit, we undertook data analysis, interviews, process walkthroughs and review of documentation. We sampled 25 operational procurement transactions and assessed them against the audit criteria.

1.5.116 We assessed the Regional District's implementation of policies and procedures designed to achieve best value and assessed the reporting of results by reviewing a sample of procurement files.

Audit Criteria

1.5.117 Performance audit criteria define the standards against which we assess the Regional District of Fraser-Fort George's performance. We express these criteria as reasonable expectations for Fraser-Fort George's operational procurement processes and practices to achieve expected results and outcomes.

1.5.118 Below are the criteria we used to assess the Regional District:

1. Operational procurement is managed strategically and linked to program and service delivery objectives.
 - a. Procurement plans and transactions are linked to approved priorities, programs and budgets.
 - b. All procurement options are considered and are in line with local government strategic policies and objectives.
2. Local governments are knowledgeable about the level of spending through procurement, as well as the nature and type of contractual arrangements entered into.
 - a. On an aggregate level, procurement expenditures are forecasted, budgeted, approved and monitored. Trends are analyzed and results are reported in a transparent manner.
 - b. Information provided to decision makers is comprehensive and covers the nature and breadth of procurement arrangements being planned.

ABOUT THE AUDIT

3. Operational procurement results in best value through assessment of available sourcing options in keeping with local governments' strategic procurement objectives.
 - a. At the transactional level, sound planning and budgeting for procurement is conducted and planned acquisitions consider existing inventory levels and lifecycle costs. Opportunities for cost efficiencies and effectiveness in the procurement process are routinely explored, including in response to changes in market conditions.
 - b. Contracts are managed in a diligent manner to ensure that all terms and conditions are fulfilled.
 - c. The local government undertakes a systematic process to assess vendor performance and lessons learned from operational procurement experience are used to inform planning for future procurement.
4. Conflict of interest and other key procurement risks are mitigated.
 - a. In addition to *Community Charter* requirements for elected officials, the local government has implemented conflict of interest and code of conduct guidelines for staff, including disclosure.
 - b. Mechanisms are in place to ensure key procurement risks are identified and mitigated.
5. The procurement model is cost effective, value based, effective, transparent, affordable, implemented in accordance with legislative requirements and considers environmental and socio-economic impacts.
 - a. The local government has current and well documented policies, procedures, roles and responsibilities that are publicly known, linked to program objectives and well understood by users. Sufficient and appropriate documentation exists to support the basis of decision-making throughout the procurement process.
 - b. The awarding of operational procurement contracts follows a systematic process that is fair, transparent and in line with local government policies and relevant legislation. Other local government objectives including environmental, social and financial impacts are considered.
 - c. Reporting to decision-makers and the public is timely, accurate, and relevant and reports assess the results achieved through operational procurement activity and decisions.
6. Innovation and best practices are explored and implemented where appropriate.
 - a. The local government shares its knowledge of innovation and best practices in public procurement.
 - b. Best practices are implemented where appropriate in line with local government needs.

ABOUT THE AUDIT

Performance Audit Process

1.5.119 At the beginning of the performance audit process, we shared key audit-related documents with the Regional District of Fraser-Fort George. These included a description of the audit background, focus, scope and criteria and an engagement protocol document describing the audit process and requirements. The process is summarized in Exhibit 7.

EXHIBIT 7: Performance Audit Process

AGLG initiates audit with notification letter and schedules opening meeting with local government to discuss process and proposed audit scope and criteria.

AGLG finalizes audit scope/criteria and advises local government, which acknowledges/accepts.

With cooperation of local government, AGLG gathers evidence by conducting enquiries, site visits and reviews, inspecting records, performing analysis and other activities.

AGLG shares preliminary findings with local government at fact clearing meeting or by providing draft proposed final report.

Local government confirms all fact statements, advising AGLG if any information is incorrect or incomplete, providing corrected information with documentary support.

AGLG may produce a draft proposed final report for local government review and comment.

Local government may suggest revisions to the draft report. This request must be supported by evidence. Local government comments must be provided within timeframes established by AGLG.

AGLG produces proposed final report and shares it with local government.

Local government has 45 days to provide comments. These should include response to recommendations.

AGLG adds summary of local government comments to proposed final report and submits it to Audit Council for their review.

Audit Council may provide comments.

After considering any Audit Council comments, AGLG finalizes report.

AGLG will provide the local government with the final performance audit report.

AGLG publishes the final performance audit report on AGLG.ca website.

APPENDIX 1 – PROCUREMENT TOOLS DEFINED

Corporate Supply Arrangement (CSA or “Supply Contract”)

An arrangement in which a supplier has offered to provide goods or services for a specified period of time in accordance with agreed terms and conditions.

Invitation to Quote (ITQ)

A document issued to solicit quotes when the only competing factor is price.

Invitation to Tender (ITT)

A document inviting vendors to submit prices for specified work. This is generally used only for construction projects.

New West Partnership Trade Agreement (NWPTA)

A trade accord between Alberta, British Columbia and Saskatchewan that promotes interprovincial collaboration.

Notice of Intent (NOI)

A document advising the vendor community of an intention to directly award a contract in a situation where the purchaser believes only one qualified contractor is available.

Purchase Order (PO)

A document committing the purchaser to buy a specified good or service at a specified price and on terms outlined in the document.

Request for Expressions of Interest (EOI or RFEI)

A document aimed at gathering information on the availability of desired services, potential suppliers or the level of interest from the vendor community.

Request for Information (RFI)

A document issued to obtain specific information about a good or service. This can include information on the availability or performance of the good or service.

Request for Proposals (RFP)

A document outlining a requirement and asking vendors to respond with a proposed solution, their qualifications and price.

Request for Qualifications (RFQ)

A document aimed at pre-qualifying vendors for a subsequent competition.

Service Contract

An agreement where a contractor supplies time, effort, and/or expertise instead of a good. (<http://www.businessdictionary.com/definition/service-contract.html>)

Standing Offer

An offer from a supplier to provide goods or services at pre-arranged prices, under set terms and conditions, when and if required. (<https://buyandsell.gc.ca/for-businesses/selling-to-the-government-of-canada/the-procurement-process/standing-offers>)

Standing Order

A purchase order covering repeated deliveries of goods or services in specified quantities, at specified prices and according to a specific schedule. (<http://www.businessdictionary.com/definition/standing-order.html>)

Sources: Unless otherwise indicated, <http://www.pss.gov.bc.ca/psb/pdfs/PurchasingHandbook.pdf>.

AGLG CONTACT INFORMATION

The AGLG welcomes your feedback and comments. Contact us electronically using our website contact form on www.aglg.ca or email info@aglg.ca to share your questions or comments.

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**AUDITOR GENERAL FOR
LOCAL GOVERNMENT**

ACCESSIBILITY • INDEPENDENCE • TRANSPARENCY • PERFORMANCE