

REPORT ON:

IM/IT Procurement – Phase 1

Table of Contents

Section Page No.

Executive Summary and Overall Conclusion.....	1
Introduction.....	4
Purpose, Scope and Approach.....	5
1.0 Procurement Framework.....	6
1.1 Procurement Policy.....	6
1.2 Governance.....	7
1.3 Ministry Procurement Framework	9
2.0 Planning the Procurement.....	11
2.1 Identifying Business Needs	11
2.2 Defining Procurement Value and Obtaining Approvals.....	12
3.0 Awarding the Contract	14
3.1. Solicitating and Evaluating Offers.....	14
3.2 Drafting and Signing the Contract	16
4.0 Managing the Contract.....	18
4.1 Monitoring the Contract.....	18
4.2 Governing and Amending the Contract.....	20
Appendix A- Summary of Recommendations	23
Appendix B – Compliance Results	24
Appendix C - Abbreviations	25

Executive Summary and Overall Conclusion

The Government of British Columbia (the Government) relies on information management and technology (IM/IT) to underpin the delivery of services to British Columbians. In order to do so, the Government procures IM/IT professional services to deliver programs and services.

The purpose of this review was to determine whether the Government's processes to procure IM/IT professional services were compliant with procurement policy and enabled contracts to deliver their expected value.

Ministries may outsource portions of their IM/IT operational requirements to an external vendor. The most common outsourced IM/IT services include application and infrastructure management, help desk support, and independent testing and validation. Outsourcing these services enables the Government to access staffing and expertise that may be challenging for ministries to acquire directly or sustain in the long run.

The Government has established an effective procurement framework. The framework is supported by the *Procurement Services Act* and the Core Policy and Procedures Manual (Procurement Policy or Policy). The Policy outlines fair and open procurement principles for ministries: competition, demand aggregation, value for money, transparency, and accountability. A procurement framework provides the vendor community with predictable experiences when bidding on Government contracts. Overlooking the framework may result in ministries' inability to receive the expected value from their procurements.

An effective procurement framework also includes cross-government support, controls, monitoring, and governance. Two cross-government bodies are highlighted in this report:

- The Procurement and Supply Division (PSD), within the Ministry of Citizens' Services, is responsible for setting strategic directions regarding procurement. It provides leadership in advising, establishing, and managing the Government's strategic contracts, and supports ministries' other IM/IT procurements.
- The Office of the Comptroller General (OCG), within the Ministry of Finance, is responsible for the overall quality and integrity of the Government's financial management and control systems. This includes developing, maintaining, and interpreting corporate procurement policies, and providing risk-based monitoring of policy compliance across government.

These governance bodies provide a preventative control function, through early consultation and advice, and a detective control function, through risk-based monitoring and reporting of policy compliance.

We reviewed a sample of procurement contracts from the Ministry of Education and Child Care and the Ministry of Finance (selected ministries). We assessed whether selected ministry procurement practices aligned with the Policy, guidance, and industry good practices.

We identified good practices used by selected ministries across the procurement lifecycle. Selected ministries had developed internal policies and guidance, and resources for procurement training. Selected ministry procurements included strong processes for contract approvals, contract development, and financial monitoring.

We also found areas where selected ministries could strengthen their processes and alignment with the Policy. These include gaps in key phases, such as early procurement planning, solicitation and evaluation, and vendor monitoring. This presents risks in how the Government competes for contracts, demonstrates value for money, and achieves transparency and accountability. [Appendix B](#) provides an indicative risk summary of the transactions tested for policy compliance.

Our key recommendation is that ministries should continue to mature their internal procurement processes, guidance, and training, and ensure consistent application within their ministry. Doing so will ensure ministry procurements consistently meet, or exceed, Procurement Policy requirements, support better program outcomes and reduce Government's procurement risks.

We identified nine recommendations that ministries should consider when planning, awarding, and managing IT procurements. These recommendations will strengthen how ministries address:

- Loss of staff and retain procurement knowledge.
- Plan and implement procurements in alignment with the Policy.
- Develop solicitation documents and evaluate submissions by vendors.
- Develop and monitor performance measurements and govern contract information.

Ministries should leverage the governance framework and activities currently in place. The PSD offers consultation and advice on ministry procurements. The OCG provides monthly reporting of compliance risks to ministries, including risks related to procurements. This function provides opportunities for ministries to develop timely actions on identified procurement risks, strengthen compliance with the Policy, and mature its good practices.

This report is part of a multi-phased review of Government's IT procurement practices. Looking ahead, we will continue to monitor risks across the Government and identify the scope and timing of additional IT procurement reviews.

*

*

*

We would like to thank all government staff, who participated in and contributed to this review, for their cooperation and assistance.



Alex Kortum, CPA, CA
Executive Director
Internal Audit & Advisory Services
Ministry of Finance

Introduction

The Government of British Columbia (the Government) relies on information management and technology (IM/IT) to underpin the delivery of services to British Columbians. The Government procures IM/IT professional services to deliver programs and services.

Ministries may outsource portions of their IM/IT operational requirements to an external vendor. The most common outsourced IM/IT services include application and infrastructure management, help desk support, and independent testing and validation. Outsourcing these services enables the Government to access staffing and expertise that may be challenging for ministries to acquire directly or sustain on the long run.

It is in the best interest of British Columbians that ministry procurement achieves value for money with high quality IM/IT professional services. To procure IM/IT professional services, ministries must follow the principles defined in the *Procurement Services Act* of fair and open procurement, competition, demand aggregation, value for money, transparency, and accountability.

The Government has a core policy (i.e., Chapter 6 of the Core Policy and Procedures Manual), procedures, a standard and governance bodies to support and implement the principles of the *Procurement Services Act* (Procurement Policy or Policy). Aligning procurement processes with the Policy, procedures and standards can help ministries ensure that the services they outsource will meet their business needs.

Cross government bodies support ministry procurements. These include the Office of the Comptroller General (OCG), within the Ministry of Finance, which is responsible for Procurement Policy, corporate standards, and procedures, as well as monitoring and compliance. The Procurement and Supply Division (PSD), within the Ministry of Citizens' Services, is responsible for setting strategic directions regarding procurement. It provides leadership in advising, establishing, and managing the Government's strategic contracts, and supports ministries' other IM/IT procurements.

Purpose, Scope and Approach

This review is part of a multi-phase review of Government's IM/IT procurement. Phase I focused on a review of ministry IM/IT procurement processes. The scope and timing of Phase II will be determined at a later date.

The purpose of this review was to determine whether ministry processes to procure IM/IT professional services were compliant with Procurement Policy and enabled contracts to deliver their expected value.

We selected two ministries for this review: the Ministry of Education and Child Care, and the Ministry of Finance (selected ministries). We selected these ministries based on consideration of recent coverage by our office and an initial review of Government procurement data.

Our approach with the selected ministries included:

- sampling contracts identified in the Corporate Financial System and started in the fiscal years 2018-2022;
- reviewing procurement documentation to verify compliance;
- interviewing ministry staff and management; and
- reviewing a subset of sample of contracts to assess alignment with the Policy, guidance, and industry good practices.

We considered most phases of the procurement lifecycle (see [Figure 1](#)). We focused our assessments on areas of key risks, such as procurement planning and contract management. We did not assess the close out phase, as our contract samples included some active procurements.

Internal Audit & Advisory Services (IAAS), Ministry of Finance conducted this review and completed fieldwork in May 2022. We met with each selected ministry to discuss the specific findings of our work. This report consolidates those findings.

We require selected ministries to develop and submit an action plan in response to the recommendations provided, including the timeframe for implementation. IAAS conducts an annual follow-up process to assess selected ministries' progress to address its action plan in response to the recommendations given.

While this review focused on selected ministries' procurement processes, the recommendations within have relevance across Government. We therefore encourage other government organizations to review their procurement processes and consider the recommendations identified in this report.

1.0 Procurement Framework

Ministries often reach out to the private sector to acquire services that they cannot find in-house or at a higher cost. A procurement framework helps ministries manage their procurement risks and gain effectiveness by using consistent structures and processes. It also provides the vendor community with predictable experiences when bidding on government requests for proposals.

A Procurement framework should include procurement principles, procedures, governance, and training.

1.1 Procurement Policy

The *Procurement Services Act* and Chapter 6 of the Core Policy and Procedures Manual outline fair and open procurement principles for ministries: competition, demand aggregation, value for money, transparency, and accountability (Procurement Principles).

The Procurement Policy established by OCG covers all phases (see Figure 1) of procuring IM/IT professional services¹.

Figure 1: Procurement Lifecycle



¹ The review's objectives focused on the planning, pre-awarding & awarding, and contract management phases.

The Policy defines the various procurement options that ministries may use. In most cases, they must use a competitive procurement process to acquire IM/IT professional services, such as obtaining quotes or posting opportunities on **BC Bid**. However, ministries may use a Direct Award process, which does not require posting on BC Bid. A Direct Award solicitation can be used where exceptional conditions apply, including the absence of multiple vendors on the market, emergency, or public health and safety concerns.

BC Bid is a marketplace where public sector organizations advertise opportunities for goods and services contracts. It is operated by the PSD. In fiscal 2022/23, the PSD rolled out an updated BC Bid.

Find out more: [BC Bid website](#)

The Policy is principle-based, and requirements are focused on outcomes and written broadly. This approach provides ministries with some flexibility to tailor procurements to their needs and develop internal guidance or policies. Given the business and financial significance of the Government's procurement activities, ministries may need to supplement documented policies and procedures with guidance and industry good practices to ensure an adequate procurement culture. Good practices recommend that organizations reinforce procurement awareness and understanding as well as appropriate behaviours and protocols through a comprehensive framework.

1.2 Governance

Ministry procurements must align with applicable legislation, agreements, and directives. Under the Policy, ministries are required to ensure that processes and procedures are clearly defined, documented, and communicated to staff. To facilitate alignment with the Policy and the Procurement Principles, the OCG and PSD are enabled with key roles and responsibilities for governance, monitoring, and support of ministry procurement activities.

The Office of the Comptroller General

The OCG supports government procurement by providing strategic procurement governance advice and supports the maintenance of the Government's procurement framework, including the Policy, and conducting risk-based compliance monitoring.

The Financial Management Branch develops and maintains Government's procurement governance framework and provides procurement governance advice.

The Corporate Compliance and Controls Monitoring Branch actively conducts risk-based compliance monitoring. This monitoring function includes risks identified with ministry procurements.

As part of its role, the Corporate Compliance and Controls Monitoring Branch provides monthly reporting of compliance risks to ministries, including risks related to procurements. Under the Policy, ministries are responsible for following up on compliance risks identified by the Corporate Compliance and Controls Monitoring Branch.

As noted later in this report, our office found that ministry compliance with the Policy varied, with identified **strengths** in financial monitoring and approvals. We also found **opportunities for improvements** by ensuring that key phases in procurement planning, solicitation and evaluation, and vendor monitoring, align with the Policy, the Procurement Principles, and industry good practices.

Ministries should leverage the monitoring and reporting functions of the OCG. Regular compliance reports, prepared by the Corporate Compliance and Controls Monitoring Branch, offer an opportunity for ministries to develop timely actions on identified IT procurement risks, strengthen compliance with the Policy, and mature their good practices.

Procurement and Supply Division

The Policy enables the PSD to assist ministries in their procurement activities and recommend procurement practices. The PSD is responsible for supporting operational advice on selecting and managing procurements.

The PSD provides resources and expertise to support the Government's procurement activities, including the procurement of IM/IT professional services.

The PSD has established such key elements to orient and oversee procurement practices across ministries, including:

- **Guidance and training:** PSD, the OCG, and the BC Public Service Agency have collaborated to establish a set of guidance, templates, and training available to all government employees.
- **Strategy:** The PSD developed the *British Columbia Procurement Strategy 2018*. The strategy seeks to improve “access for companies of all sizes to do business with government while ensuring that British Columbias’ public dollars are being used to benefit communities.” It issued its latest strategic update in 2020.
- **Oversight committees**, including the Deputy Ministers’ committee on Procurement and Strategic Contracts and its sub-committees. These committees provide strategic direction and advice, change leadership, and portfolio management.

- **Cross-Government engagement:** PSD facilitates the sharing of cross-government information, experience, and expertise on procurement through its Community of Practice and a Procurement Council.

We considered whether selected ministries engaged with PSD when conducting their procurements. We note our findings in [Section 2.2](#). Ministries should leverage the advice and consultation role of the PSD when conducting procurements.

1.3 Ministry Procurement Framework

The Procurement Policy is principle-based and must be adopted by all ministries with various business requirements. The Policy can be supplemented by internal ministry policies or guidance. While ministries may create their procedures, each ministry is responsible for aligning with the Procurement Policy. This may include guidance on procurement processes, training, and strategies to support staff skills and knowledge.

We considered whether selected ministries had developed their procedures to implement the Procurement Policy's requirements and support IM/IT professional services procurement. We found that selected ministries had developed internal guidance to support procurement activities. This included guidance on the procurement cycle and requirements, and detail on contract approvals. This guidance supplemented the Policy and was available to staff through shared ministry resources.

We also found that selected ministries' internal websites leveraged corporate training options. At a corporate level, the Government provides procurement training through the BC Public Service Agency. For example, the Procurement Foundations course provides a series of courses escalating in detail for Government staff.

Internal guidance and procurement training is a key action to help ensure ministries maintain staff knowledge and skills. Staff attrition is a common occurrence that may risk such knowledge and skills. We found that selected ministry program areas responsible for contracts have experienced challenges with loss of procurement staff. This resulted in gaps in contract knowledge. It also resulted in some cases where vacating staff did not transfer documents to shared locations, resulting in gaps in contract documentation.

Ministries should ensure there are processes to support changes of responsibilities, knowledge, and documents during staff transition. This can include creating clear internal guidance for staff and providing resources and opportunities for procurement training.

Recommendations:

- (1) Ministries should establish and maintain internal policies, guidance, and training to support new and current procurement staff.
 - (2) Ministries should leverage the resources of the Procurement Services Division and Office of the Comptroller General when conducting procurements and monitoring procurement processes and risks.
-

2.0 Planning the Procurement

During procurement planning, ministries confirm their need to purchase services from a vendor. Ministry staff need to define what to buy, how to select the vendor, and the available budget.

The Procurement Policy requires that ministries look for alternatives to procurement, identify the solicitation method most appropriate to their circumstances, and receive adequate approvals to proceed. Industry good practices also recommend that ministries spend sufficient effort to define their business needs and understand the available services on the market. The purpose is to ensure that the Government receives the best value while following a fair and transparent process for ministries and vendors.

Poor planning may have long-term effects on a ministry's performance. For instance:

- If scope and deliverables are not well-defined, interested vendors may not understand the services that ministries seek. It may result in proposals with different offerings and prices that ministries will find challenging to evaluate and in deliverables that will not fit their needs.
- If ministries do not have a thorough planning phase, key processes to hold a vendor accountable may be missing in the resulting contract or inconsistent with the procurement's initial intent.

We reviewed a procurement sample to determine whether selected ministries' procurement planning complied with the Policy. We also assessed whether selected ministries' planning practices aligned with complementary good practices for a subset of the sample.

2.1 Identifying Business Needs

Industry good practices recommend that ministry procurement not only focuses on reducing costs, but also supports long-term organizational objectives.

Ministries should spend sufficient resources on understanding their short- and long-term business needs to ensure adequate planning. This includes identifying whether alternatives to the procurement are available internally. For instance, contracting out services, such as critical applications support, may result in money saving on the short term. However, on the long term, ministries may end up losing their internal expertise and become dependent on an external vendor. It also requires a good understanding of the services vendors can offer to inform and refine the business needs.

We found that for most sampled contracts, selected ministries had documented alternatives to their procurements. Ministries commonly documented alternatives in a business case, or an initial planning document. In doing so, ministries provided a reasonable rationale for why they selected the procurement process.

We found that some contracts however, either did not document whether alternatives were considered, or provided only limited reasoning for selecting the procurement. A lack of a documented rationale creates risks that a procurement does not include a clear business need.

We also reviewed a subset of the sampled contracts to assess the adequacy of how selected ministries' plan procurements. In doing so, we identified the following good practices:

- ministry procurement staff supported program areas' procurement planning;
- procurements aligned with broader ministry strategic and operational goals;
- internal policy and guidance that helped guide procurement steps; and
- staff proactively developing timelines to support procurement delivery.

By documenting a procurement rationale, ministries can better strengthen the scope, rationale, and deliverables of a procurement.

2.2 Defining Procurement Value and Obtaining Approvals

Defining the value of a procurement is crucial in determining an approach compliant with the Procurement Policy and financial management policies. For instance:

- The Policy requires that ministries post procurements valued over \$75,000 on BC Bid. Below \$75,000, ministries may only need to look for three quotes.
- The Policy also requires that procurements valued at over \$250,000 receive the PSB's support.²
- The procurement value also determines what ministry authority may approve the procurement

By aligning practices with the Policy, ministries can demonstrate fair and transparent procurements. Internally, if ministries do not secure the appropriate approvals, ministries may not receive the budget necessary to complete their procurement.

² Prior to July 2021, this threshold was for contracts between \$100,000 and \$500,000 in value.

Estimating Procurement Value

We found that the majority of sampled procurements had developed an estimated value of the contract consistent with the Policy. Ministry cost estimates were prepared in initial planning documents, commonly in a business case. However, selected ministries could improve their processes by ensuring that contract estimate documents are readily available and include sufficient detail. Ministries could strengthen initial planning documents, such as Business Cases, by providing robust financial estimates, cost benefits analysis, or rationale supporting the procurement.

Obtaining Approvals

Before a procurement moves forward to solicitation and vendor selection, it should obtain appropriate approvals. This includes both internal approvals, and in some cases, consultation with the PSD.

We found that all sample procurements obtained proper approval from authorized **Expense Authority**, prior to moving forward to the solicitation phase. In one instance, we found that a procurement did not include consultation with a program area, when required. However, the impact of this step was limited, as the procurement received final approval within the ministry.

An **Expense Authority** is a ministry staff member who has delegated authority to approve accounts and expenditures, including procurements.

In the majority of samples, we found that selected ministries consulted with the PSD during the planning process. Ministry staff advised our office that PSD engagement helped support their procurements. In two cases however, we did not find evidence that PSD was engaged. By engaging with PSD, ministries can leverage corporate procurement knowledge and expertise, and meet key requirements of the Policy and good practices.

Recommendations:

- (3) Ministries should ensure that all IT procurements align with relevant procurement requirements of the Core Policies and Procedures Manual.
-

3.0 Awarding the Contract

The Policy requires that procurement decisions are fair and competitive. The solicitation and evaluation phases involve advertising or soliciting to eligible vendors and evaluating their proposals to select the successful bid. These phases are crucial for ministries to find the services that best meet their needs. Once the successful bid is known, ministries must draft and sign the written contract.

We reviewed a procurement sample for IM/IT professional services to determine whether selected ministries complied with the Policy when awarding the contract. We also considered whether selected ministries' solicitation and evaluation practices aligned with complementary good practices for a subset of the sample.

3.1. Soliciting and Evaluating Offers

The solicitation and evaluation phase comprise the competitive process ministries must follow to select a vendor. It enables multiple vendors to make offers for the requested services. It generally involves posting a request for proposals on BC Bid or communicating with pre-qualified vendors to reach eligible vendors in a non-discriminatory manner.

Requests for Proposal and other solicitation documents provide eligible vendors with information about a procurement. Such documents should clearly identify the business needs ministries are looking for and how ministries will assess vendors' proposals. Ministries should align their evaluation approach with the needs they are looking to address. Their criteria should also be specific and objective to compare offers.

A **Request for Proposal** is a request for vendors to submit proposals that include information on relevant qualifications, experience, and pricing. It includes clear and defined criteria against which the proposals will be evaluated.

Failure to evaluate vendors' proposals according to the solicitation document may result in risks such as disputes on vendor selection, or poor selection of vendors by ministries.

Soliciting Vendors

We assessed whether selected ministries solicited vendors in alignment with the Policy, including how they advertised procurements to potential vendors, such as through BC Bid.

We found that most of the sampled procurements used solicitation processes that aligned with the Policy. Selected ministries used several processes to advertise their opportunities. These included:

- advertising procurements publicly on BC Bid, including providing appropriate information in their Requests for Proposal;
- selecting vendors from pre-approved vendor lists, known as Supply Arrangements, available through the PSD; and
- using **Direct Award** processes, whereby a contract is awarded to a vendor without a competitive process. Two of the sample procurements used a Direct Award process and both contracts complied with the Policy. This included clearly documenting the rationale and approvals for selecting a Direct Award process.

A **Direct Award** process allows a ministry to select a vendor without a competitive process. The Policy establishes clear requirements for using a Direct Award, including:

- only one contractor is qualified or available;
- an unforeseen emergency exists, limiting a competitive process; or,
- when a competitive process would impact security or public safety.

We identified some gaps in how selected ministries solicit vendors. These included instances where documentation was not provided to support the solicitation process or procurement not being posted on BC Bid when the Policy thresholds were met. We also identified instances where the criteria for evaluation in solicitation documents lacked clarity. Poorly defined criteria can result in vendor submissions that are difficult to evaluate, or criteria that restricts how a ministry can select a vendor.

Evaluating Vendors

We also assessed whether procurements evaluated and selected potential vendors consistent with the Policy. This included the requirements to document the evaluation and grading of vendors against the criteria outlined in solicitation documents.

We found that the majority of the procurements evaluated vendors against criteria established in the solicitation documents. In these cases, selected ministries clearly documented how the vendors were reviewed, evaluated, and, how the successful vendor was selected.

We found some gaps in how selected ministries evaluated vendor submissions. In some cases, the selected ministries could not provide sufficient documentation to support how the vendors were evaluated and selected. In other instances, we found that procurement evaluations did not fully align with all of the criteria outlined in the solicitation documents.

The Policy requires that ministries maintain solicitation documents to support the evaluation process. By clearly documenting the solicitation process, vendor evaluation, and aligning grading criteria with solicitation processes, ministries can better ensure vendor selection is transparent and fair.

Recommendations:

- (4) Ministries should ensure that solicitation documents include clearly identified criteria for evaluation.
-

3.2 Drafting and Signing the Contract

The contract phase is the process for ministries and selected vendors to draft, negotiate and agree on the contractual provisions.

The Procurement Policy requires that ministry contracts receive the Government's Legal Services Branch's approvals when required³, covers performance measures and dispute resolutions, and are appropriately signed before the services start to reduce contractual risks.

There are additional areas that contracts should cover to hold a vendor accountable for delivering the expected services. These areas include contract governance, rights to audit, risk management, contract termination and transition. Overlooking these areas may result in ministries' inability to receive the expected value from their procurement. It can have a long-term impact on their vendor performance.

We assessed whether selected ministries complied with the Policy regarding the contract phase for a sample of procurement. We found a number of good practices within selected ministries:

- contracts were signed by an appropriate Expense Authority and the vendor;
- selected ministries used appropriate government contract templates, or sought review from the Legal Services Branch when required; and
- contracts included required elements, such as the contract term, goods, or services to be provided by the vendor, and pricing and payment information.

Overall, we found selected ministries drafted and approved contracts in alignment with the Policy. These good practices can help support effective contract delivery.

³ Legal Services Branch is part of the Ministry of Attorney General.

As outlined in Section 4.0, we found one area where ministries could strengthen their contracts is through clearly identifying performance measures for the successful vendor. In doing so, ministries can improve their ability to manage the contract and better monitor vendor performance.

4.0 Managing the Contract

Contract management includes all activities that occur while a contract is in place. This includes receiving and verifying the quality of the deliverables, monitoring progress and performance, and managing any dispute or contract amendment.

We reviewed a procurement sample for IM/IT professional services to determine whether ministries complied with the Policy. We also considered whether ministries' contract management practices aligned with complementary good practices for a subset of the sample.

4.1 Monitoring the Contract

Ministries are responsible for ensuring that vendors deliver the services in accordance with the contracts. Ministries should describe these monitoring activities in the solicitation document and include them in the contract.

The Procurement Policy requires that ministries:

- monitor their vendor's performance according to the contract;
- assign a **Qualified Receiver** to attest of the quality of the delivered services before the invoice is approved; and
- document and communicate to the vendor any performance deficiencies.

Contract monitoring is critical to ensure and demonstrate value for money. Vendors may overlook their contractual requirements if they believe ministries have a poor understanding of them and are reluctant to use processes for dealing with poor service delivery or failure.

We found that selected ministries consistently monitored financial components of the contract. This included monitoring payments and ensuring that an authorized Qualified Receiver signed contract invoices. In doing so, selected ministries confirmed that goods and services for the contracts were received.

We found that most sampled procurements monitored vendor performance against the terms of the contract. Monitoring activities included reviews of vendor status reports and regular and active vendor engagement. In some cases, however, formal vendor monitoring was limited to financial components of the contract. Vendor monitoring was informal and not documented.

Qualified Receiver is a delegated ministry staff member who is responsible for reviewing and confirming that goods and services are received. In order to appropriately segregate duties, Qualified Receiver must be a different staff member than the Expense Authority.

We reviewed a subset of the sampled procurements and assessed whether the contractual performance management provisions were adequate and consistent with guidance and industry good practices. We found that selected ministries maintain positive vendor relationships and established regular check-ins with the vendor. We found some areas where selected ministries could strengthen their processes:

- Industry good practices recommends clearly outlining how a vendor will be monitored and by which metrics. While selected ministries developed contract requirements consistent with Procurement Policy, we found there was a lack of clear performance indicators in vendor Service Level Agreements. By including specific and measurable requirements, ministries can be better prepared to develop active and formal vendor monitoring.
- Industry good practices recommends regular, documented feedback in order to ensure transparency and accountability. Selected ministries tended to focus vendor monitoring on contractual outputs, such as the timing or cost of a project outcome delivered by a vendor project manager. Ministry staff would meet informally with vendors on a regular basis. However, they would not document performance of the vendor staff against measurable and documented criteria. Ministries could strengthen their processes by actively and formally evaluating the vendor project manager in addition to the contractual outputs. This provides ministries with a more fulsome assessment of not only the outputs delivered, but the working relationship with the vendor.

It is critical that a ministry can follow up and resolve issues with a vendor regarding its performance. We found that sampled contracts included provisions for following up with a vendor when a ministry identified an issue. We found no instances where significant issues were raised and had to be resolved.

By clearly identifying performance measurements in agreements, ministries can be better prepared to deliver effective vendor monitoring throughout the contract.

Recommendations:

- (5) Ministries should ensure that contracts include clear and measurable indicators to monitor vendor performance.
 - (6) Ministries should regularly document vendor monitoring against measurable performance indicators and contract terms.
-

4.2 Governing and Amending the Contract

The Professional Institute of the Public Service of Canada⁴ conducted a jurisdictional scan in 2020 about IT outsourcing. It identified that IT consultants often end up costing to governments twice as much as expected, because of two major reasons:

- Contract managers have a significant ability to amend contracts after they have been signed; and
- Vendors underestimate their bid to win procurement over and later asks for contract amendments.

To ensure that the contract's costs and other problems do not inflate, good practices recommend that contractual parties document and establish a robust governance structure that includes regular meetings between the contractual partners, risk management, and annual reviews of contracts to ensure their terms are still relevant.

Amending Contracts

We assessed sampled procurements to determine whether contract amendments were conducted in accordance with the Policy. This includes ensuring that appropriate Expense Authority signs all contract amendments and that changes to the contracts did not alter the nature and intent of the original agreement.

We found that an authorized Expense Authority signed all contract amendments. We also found that the majority of contracts reviewed did not change the nature and intent of the original contract. In one case, we found that the contract included key outputs not designed in the original contract. As a result, the amendment shifted the scope of the contract beyond its original intent and significantly increased the costs beyond its original estimated value. In such cases, there is a risk that ministries do not receive the best value for money on their procurement and impact the perception of fair and transparent procurement.

Governing Contracts

We assessed whether selected ministries defined adequate governance mechanisms in a selection of contracts and implemented them. We found that selected ministries had established governance structures, roles and responsibilities and processes to support contract governance for a sample of contracts:

- Agreements clearly identified roles and responsibilities for vendor and ministry staff. This provided ministry and vendor staff with a clear understanding of their roles and accountabilities.

⁴ Professional Institute of the Public Service of Canada, Putting a Stop to Outsourcing, www.pipsc.ca

- Most contracts identified governance committees to support the contracts. However, we found that some contracts did not formalize governance structures in the contract. We were advised that formal committees were not established on contracts with lower contract values due to an estimated lower risk profile. Industry good practices recommends establishing formal committees and governance structures to support monitoring, decision-making and oversight.
- Agreements established clauses allowing the ministry to conduct third-party reviews. In doing so, ministries can be better prepared to seek assessments of contracts, if required.

We also found that selected ministries had established internal policy and guidance to support procurement. These documents provided guidance to current and new staff for contract governance, including identifying authorization levels of contract approvals, documenting procurement processes, and outlining general expectations for governing procurements.

Managing Contract Documents and Information

We considered how selected ministries manage and maintain contract documentation. We found that selected ministries generally use a decentralized model for document management. Under this model, program areas responsible for a contract are accountable for maintaining key contract documents. This process can create some potential advantages since it does not funnel all contract documents to a central location, which could lead to potential backlogs.

We found however, that this model creates some risks. Program areas could not always provide the requisite documentation to our office. Central bodies in the ministry that support procurement would also not always have access of contract documentation, due to ownership on the program area side. A lack of supporting documentation creates a risk that ministries cannot demonstrate compliance with the Policy. It would be beneficial for the ministries to create high level checklists of key documents maintained on shared locations.

Industry good practices recommends that contract owners keep all records with key contract information. These documents should be available to all involved, and support contract governance processes. There is opportunity for ministries to consider models that can support program area flexibility while centralizing some key documentation. One option a ministry can consider is holding copies of key documentation (e.g., solicitation documents and copies of agreements and amendments) in a ministry central shared location. Day-to-day documentation, such as invoices and vendor performance documentation, could be managed at the program area level.

The Government relies on the Corporate Financial System to manage financial transactions, including procurement data. Procurement data can include contract costs, procurement dates, scope of work, and responsible program areas and personnel. During our review, we also found that there were discrepancies between the procurement data within the Corporate Financial System and the procurement information found within the ministries. This creates a risk that the Government does not have current, reliable and complete procurement data on some contracts.

Recommendations:

- (7) Ministries should develop processes, such as checklists, to support changeover of key staff knowledge, responsibilities, and documentation.
 - (8) Ministries should establish procedures to ensure that key contract documentation is readily available and complete.
 - (9) Ministries should ensure the accuracy and completeness of procurement data entered into the Corporate Financial System.
-

Appendix A- Summary of Recommendations

1	Ministries should establish and maintain internal policies, guidance, and training to support new and current procurement staff.
2	Ministries should leverage the resources of the Procurement Services Division and Office of the Comptroller General when conducting procurements and monitoring procurement processes and risks.
3	Ministries should ensure that all IT procurements align with relevant procurement requirements of the Core Policies and Procedures Manual.
4	Ministries should ensure that solicitation documents include clearly identified criteria for evaluation.
5	Ministries should ensure that contracts include clear and measurable indicators to monitor vendor performance.
6	Ministries should regularly document vendor monitoring against measurable performance indicators and contract terms.
7	Ministries should develop processes, such as checklists, to support changeover of key staff knowledge, responsibilities, and documentation.
8	Ministries should establish procedures to ensure that key contract documentation is readily available and complete.
9	Ministries should ensure the accuracy and completeness of procurement data entered into the Corporate Financial System.

Appendix B – Compliance Results

IAAS reviewed whether a sample of selected ministries’ procurements aligned with requirements in Chapter 6 of the Core Policies and Procedures Manual.

The figure below provides an indicative risk summary of the transactions tested for policy compliance.

Figure: Compliance Results

Policy Requirements	Procurement Sample and Results									
	1	2	3	4	5	6	7	8	9	10
Procurement Phase: Procurement Planning										
A) The Procurement Services Branch was consulted	Lower	Strong	Strong	Strong	Strong	Strong	Strong	Medium	Strong	Lower
B) Procurement alternatives were considered	Medium	Strong	Strong	Strong	Medium	Lower	Lower	Medium	Strong	Lower
C) The procurement value was estimated	Strong	Strong	Strong	Strong	Strong	Lower	Medium	Medium	Lower	Lower
D) Procurement was approved appropriately	Strong	Strong	Medium	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Procurement Phase: Contract Award										
E) Solicitation demonstrated fairness and transparency	Strong	Strong	Not Applicable	Medium	Strong	Strong	Lower	Lower	Not Applicable	Strong
F) Evaluation aligned with criteria	Strong	Strong	Strong	Lower	Strong	Strong	Strong	Lower	Not Applicable	Lower
G) Contract template was approved by Legal Services Branch	Strong	Strong	Medium	Strong	Strong	Strong	Strong	Strong	Strong	Strong
H) Contract was signed by authorized personnel	Strong	Strong	Strong	Strong	Medium	Strong	Strong	Strong	Strong	Strong
I) Contract included key requirements	Medium	Medium	Not Applicable	Strong	Medium	Strong	Medium	Strong	Medium	Strong
J) Contract amendments did not change the initial intent	Strong	Strong	Not Applicable	Strong	Strong	Not Applicable	Lower	Not Applicable	Medium	Strong
Procurement Phase: Contract Management										
K) A Qualified Receiver validated contract outputs	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
L) A record of payments was maintained	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong
M) Vendor Performance was monitored	Medium	Medium	Not Applicable	Medium	Medium	Strong	Medium	Medium	Medium	Medium

Legend	
Strong Policy Compliance	Strong
Medium Policy Compliance	Medium
Lower Policy Compliance	Lower
Not Applicable	Not Applicable

Appendix C - Abbreviations

Government	Government of British Columbia
IAAS	Internal Audit & Advisory Services, Ministry of Finance
IM/IT	Information Management and Technology
OCG	The Office of the Comptroller General, Ministry of Finance
Procurement Policy or Policy	<i>Procurement Services Act</i> and the Core Policy and Procedures Manual
PSD	Procurement and Supply Division, Ministry of Citizens' Services