



2000-644 Final Report

Review of Bid Evaluation and Contractor Selection Methods in Ontario Region

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Executive Summary

Authority for the Project

This project was part of the 2000/2001 Audit and Review Plan, which was approved by Public Works and Government Services Canada's (PWGSC) Audit and Review Committee.

Objective

The objective was to determine the extent to which PWGSC policies, procedures and controls for bid evaluation and contractor selection methodologies are being observed.

Scope

The audit reviewed goods and services contracts of \$25,000 or more awarded by the Ontario Region during FY1999/2000.

The focus was bid evaluation and supplier selection from the time of procurement planning through to contract award. Bid evaluation and supplier selection generally encompass the following steps: reviewing the requirements definition; establishing the evaluation criteria and the selection methodology; issuing a bid solicitation which advises bidders of the evaluation/selection methodology; conducting the evaluation; and selecting the successful supplier(s).

Background

The Minister of Public Works and Government Services Canada is responsible for ensuring that the tenets of prudence and probity are observed throughout the contracting process. The governing postulate of integrity and the principle of equal treatment are essential to the process for bid evaluation and contractor selection. All activities are to be open, fair and honest and all potential suppliers of a particular requirement are to be subject to the same conditions.

Any weakness in the openness and fairness of evaluation and selection criteria leaves PWGSC vulnerable to a successful supplier challenge before the Canadian International Trade Tribunal (CITT). As this is an important area, the Audit and Review Branch (ARB) has been conducting, on a rotational basis, reviews of sector and regional practices regarding evaluation and selection methods.

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This cyclical audit was part of ARB's 2000/2001 ARC-approved Workplan. The audit was previously conducted in the Aerospace, Marine and Electronics (AMES) Sector, the Industrial and Commercial Products and Standardization Services (ICPSS) Sector, the Science, Informatics and Professional Services (SIPS) Sector and in Atlantic and Western Regions. This year, the audit focussed on goods and services contracts of \$25,000 or more issued by Ontario Region during FY1999/2000.

Key Findings

- Overall, the contract files examined were complete and well documented; appropriate sign-off had been provided, where required, by the Contract Quality Assurance Officer; bidders' conferences and supplier questions were handled appropriately and well.
- The majority of files contained evidence of consultation with clients regarding the evaluation criteria and selection methodology to be used.
- Contract Planning and Advance Approvals (CPAAs) were not on file for 17% of cases requiring them (primarily among transactions within Procurement Officer's own approval authority); many CPAAs contained only limited detail regarding the evaluation/selection method being proposed.
- 86% of the 85 Requests for Proposals (RFPs) containing mandatory requirements identified such criteria clearly and completely; in 14% the mandatories were confusing or unclear in either wording or organization within the procurement document. In 3 of 4 files containing evidence that the client's mandatory criteria had been considered restrictive, the Procurement Officer successfully encouraged modification of the criteria to allow for more open competition.
- Four RFPs including rated criteria did not express such criteria in sufficient detail to ensure a clear understanding.
- In the cases where 'desirable' criteria were used there was a lack of clarity as to whether and how they would affect the procurement process.
- In 23% of the RFPs examined, the selection method was either unclear or unstated.
- In 10 instances (11%), the selection of the successful offeror, if challenged, would not be defensible due to the application of the evaluation and selection methodology used. Examples include: not eliminating from further consideration bidders who do not meet the mandatory criteria; incorrectly eliminating responsive bidders from further evaluation; not awarding contracts in accordance with the evaluation and selection process specified in the

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RFP - including splitting the award between suppliers without indicating this possible outcome, and the basis upon which such a decision would be made, in the RFP.

Conclusions

Overall, the files examined were well organized and demonstrated attentive service to both clients and suppliers.

There are, nonetheless, opportunities to: communicate and reinforce the importance of providing all relevant procurement planning information, through a properly authorized CPAA, as well as to possibly review the application of the CPAA policy as it pertains to contracts within Procurement Officers' own approval authority; improve the manner in which mandatory and point-rated evaluation criteria are articulated and organized in the solicitation document; provide clarity as to whether and how criteria identified as 'desirable' are to be used in the evaluation/selection process; ensure solicitation documents include a well articulated selection methodology; and improve the degree to which evaluation and selection processes stated in formal Requests for Proposals (RFPs) are complied with.

Recommendation

It is therefore recommended that:

1. *the Regional Director General, Ontario Region take action through guidelines and/or training to ensure that: officers within the Region include on file a properly authorized CPAA when required; all solicitation documents contain clearly stated evaluation criteria and selection methods; and all contracts are issued in accordance with the solicitation document.*

1 Introduction

1.1 Authority for the Project

This project was part of the 2000/2001 Audit and Review Plan, which was approved by Public Works and Government Services Canada's (PWGSC) Audit and Review Committee.

1.2 Objective

The objective was to determine the extent to which PWGSC policies, procedures and controls for bid evaluation and contractor selection methodologies are being observed.

1.3 Scope

The audit in the Ontario Region reviewed goods and services contracts of \$25,000 or more awarded by the Ontario Region during FY1999/2000. The focus was on bid evaluation and supplier selection from the time of procurement planning through to contract award. Bid evaluation and supplier selection generally encompass the following activities: ensuring adequacy of the requirements definition; establishing evaluation criteria and the selection methodology; issuing a Request for Proposal (RFP) which advises suppliers of the evaluation/selection methodology; conducting the evaluation; and selecting the successful supplier(s).

In the period April 1999 through March 2000, 312 goods and/or services acquisition contracts were handled by Ontario Region. This number does not include construction or architecture and engineering consulting contracts, which may be the subject of another audit presently under development.

The audit included a sample of 103 files drawn from the region's offices: Toronto - (North Yonge and Mississauga), Kingston, London, Borden, Pembroke and North Bay. Nine files were subsequently eliminated - seven because they proved to be related to construction contracting and two because examination indicated they were not competitive contracts.

Of the 72 files that contained a clearly enunciated selection methodology, the majority (44) were evaluated on a lowest price responsive basis; 27 were evaluated on a best value basis; and one selection was based on an assessment of highest technical value. There were 22 files where the selection methodology was either unclear or not stated.

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Approval authorities on the 94 files reviewed were as follows:

Level of Approval authority	Number of files
Regional Director General/ Director	10
Manager	36
Procurement Officer	48
Total	94

1.4 Background

The Minister of Public Works and Government Services Canada is responsible for ensuring that the tenets of prudence and probity are observed throughout the contracting process. The governing postulate of integrity and the principle of equal treatment are essential to the process for bid evaluation and contractor selection. All activities are to be open, fair and honest and all potential suppliers of a particular requirement are to be subject to the same conditions.

Any weakness in the openness and fairness of evaluation and selection criteria leaves PWGSC vulnerable to a supplier challenge before the Canadian International Trade Tribunal (CITT). Given PWGSC's role as common-service provider for government procurement, the Audit and Review Branch (ARB) has been conducting rotational reviews of the practices relating to bid evaluation and selection methods. Reviews in the Science, Informatics and Professional Services Sector (SIPSS), the Aerospace, Marine and Electronics Systems (AMES) Sector, the Industrial and Commercial Products and Standardization Services (ICPSS) Sector, and the Atlantic and Western Regions have been completed to date. In addition, a survey of all procurement staff involved in competitive contracting was conducted in the fall of 1997.

2. Issues Examined and Findings

2.1 General

- Overall, the audit team found the sample of 94 files examined to be complete and well documented.
- Appropriate sign-off had been provided, where required, by the Contract Quality Assurance Officer.
- Bidders' conferences were handled appropriately.
- Supplier questions and complaints were addressed promptly, completely and with client input as required.

Conclusion

Overall, the files examined were well organized and demonstrated attentive service to both clients and suppliers.

2.2 Establishment of evaluation and selection methods

- The majority of files contained evidence of consultation with the client regarding the evaluation criteria and method of selection.
- In 51% of cases, the evaluation criteria/selection method articulated in the CPAA was limited to that provided by the ABE drop-down menu.
- CPAAs were required for 81 of the 94 procurements examined. They were found on file for 83% of these but not for the remaining 17% - primarily for transactions within Procurement Officers' own approval authority.

Conclusion

The importance of providing all relevant procurement planning information, through a properly authorized CPAA, on all procurements valued at \$50K or more, especially when approval is required at a level higher than the Procurement Officer, needs to be communicated and reinforced. Consideration should be given to either providing the RFP document to the approval authority for review along with the CPAA, or providing more specific details about the mandatory and rated criteria as part of the CPAA.

2.3 Articulation and clarity of the evaluation and selection methods

- In 27 cases, contractor selection was based on 'best overall value'. Many of these included a helpful sample calculation in the RFP as a guide to bidders.
- 86% of the 85 RFPs containing mandatory requirements identified such criteria clearly and completely; in 14% the mandatories were confusing or unclear in wording or organization within the procurement document. This included cases in which mandatories were related to how the contract should be performed rather than to factors which would, and could, be evaluated as the basis for contract award.
- In 3 of 4 files containing evidence that the client's mandatory criteria had been considered restrictive, the Procurement Officer successfully encouraged modification of the criteria to allow for more open competition. In the fourth case, citation of a trademark was not accompanied by the phrase "or equal", as required by the trade agreements.
- 28 RFPs included rated criteria. Among these, 4 did not express such criteria in sufficient detail to ensure a clear understanding. Evidence of this included: questions from suppliers seeking clarification, and no indication of how supplier "experience" would be evaluated.
- In 23% of RFPs, the selection method was either unclear or unstated. In a few of these cases, the NPP indicated the selection method but such information was not repeated in the RFP.
- In cases where both a 'mandatory' and a 'desirable' delivery date were indicated, it was unclear whether or how this distinction would affect the evaluation/selection process.

Conclusion

Many files demonstrated efforts by Procurement Officers to facilitate suppliers' ease of understanding, and the application, of the bid evaluation and supplier selection process. There are, nonetheless, opportunities to improve the manner in which mandatory (including mandatory criteria of an administrative nature), point-rated evaluation criteria as well as criteria stated as 'desirable', are articulated and organized in the solicitation document. There is also a need to ensure all solicitation documents include a well articulated selection methodology.

2.4 Compliance with the stated evaluation and selection process

- In 47 of 54 cases, the Procurement Officer did not sit on the procurement's Technical Evaluation Team. For most of these (70%), there was evidence on file that the officer had nonetheless validated the results of the team's evaluation; in 30%, there was no such evidence.
- In 10 instances (11%), the selection of the successful offeror, if challenged, would not be defensible due to the application of the evaluation and selection methodology used. Examples include: not eliminating from further consideration bidders who do not meet the mandatory criteria; incorrectly eliminating responsive bidders from further evaluation; not awarding contracts in accordance with the evaluation and selection process specified in the

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RFP - including splitting the award between suppliers without indicating this possible outcome, and the basis upon which such a decision would be made, in the RFP.

- 80% of the files contained sufficient formal documentation of the results of the evaluation/selection process; 20% did not.

- In 8 cases, evidence on file indicated that price information had been shared with the Technical Evaluation Team before the evaluation was completed.

Conclusion

There is opportunity to improve the degree to which the Ontario Region complies with the stated evaluation and selection processes. It would also be beneficial to reinforce the need to adequately apply the stated process and properly document the file in order to demonstrate the integrity of the procurement function.

3. General Conclusions and Recommendation

3.1 General Conclusions

Overall, the files examined were well organized and demonstrated attentive service to both clients and suppliers.

There are, nonetheless, opportunities to: communicate and reinforce the importance of providing all relevant procurement planning information, through a properly authorized CPAA, as well as to possibly review the application of the CPAA policy as it pertains to contracts within Procurement Officers' own approval authority; improve the manner in which mandatory and point-rated evaluation criteria are articulated and organized in the solicitation document; provide clarity as to whether and how criteria identified as 'desirable' are to be used in the evaluation/selection process; ensure solicitation documents include a well articulated selection methodology; and improve the degree to which evaluation and selection processes stated in formal Requests for Proposals (RFPs) are complied with.

3.2 Recommendation

It is therefore recommended that:

1. *the Regional Director General, Ontario Region take action through guidelines and/or training to ensure that: officers within the Region include on file a properly authorized CPAA when required; all solicitation documents contain clearly stated evaluation criteria and selection methods; and all contracts are issued in accordance with the solicitation document.*

4 Action plan

The action plan was not available at the publication date of this report so it will be published as soon as it becomes available.