



2001-611 Final Report - Internet Version
Audit of Bid Evaluation and Selection Methods
in Quebec Region

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Executive Summary

Authority for the Project

This project was part of the 2001/2002 Audit and Review Plan, which was approved by Public Works and Government Services Canada's (PWGSC) Audit and Review Committee.

Objective

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

Scope and Methodology

The audit covered contracts let, and/or standing offers initiated by the Quebec Region during FY2000/2001. Low dollar value contracts (under \$25,000) and construction contracts were excluded from the scope.

Specifically, the review focused on bid evaluation and contractor selection from the time of procurement planning through to contract award or the implementation of the standing offer

For the period April 2000 through March 2001, 488 goods and/or services acquisition contracts and standing offers were handled by Quebec Region. The audit included a sample of 100 files drawn from the region's offices in Montreal, Quebec City and Bagotville. The sample was statistically valid to provide 95% level of confidence in the results for each of the region's offices.

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. Any weakness in the openness and fairness of evaluation and selection criteria leaves the department vulnerable to a supplier's 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. The Audit and Review Committee approved this year's audit for Quebec Region as part of its 2001-2002 Departmental Audit and Review Plan.

Key Findings

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Procurement Planning

The Procurement Plan or Contract Planning and Advanced Approval (CPAA) on file should contain sufficient information with respect to evaluation/selection methods to permit a substantive review, and these should be reviewed and approved by the appropriate levels including Contract Quality Control, if applicable.

In 81% (58/72) of the files where they were required there was a properly authorized Contract Planning and Advanced Approval (CPAA) or Procurement Plan on file. Those files which did not contain an approval document were within the Contracting Officer's approval. Appropriate sign off was obtained by the Contract Quality Assurance Officer when it was required. The importance of providing all relevant and accurate procurement planning information through a properly authorized CPAA should be reinforced and communicated

Evaluation Criteria and Basis of Selection

The evaluation criteria, the method by which these criteria will be evaluated, and the basis of selection should all be clearly defined and well communicated in the solicitation documents.

In 86% (75/87) of the cases examined where there were mandatory criteria, the audit team found these criteria to be clearly and completely stated in the solicitation documents. In 93% (81/87) of the cases the mandatory criteria were judged to be not so restrictive that potential bidders could have been restricted from bidding. In 88% (21/24) of the cases where there were rated criteria, these criteria and their weightings were provided in sufficient detail in the RFP. These rated criteria were judged to be clear and logical in 96% (23/24) of the cases. In 55% (6/11) of the files which contained desirable criteria, there was no clear method on how or whether these desirable criteria were to be factored in the evaluations. Eighty-six percent (86/100) of the files examined contained a selection method in the RFP. In 10% (10/100) of the cases examined the selection method was judged by the audit team to be unclearly stated in the RFP.

A lack of clarity within the solicitation documents puts the department at risk of complaints and challenges to contract awards as well as possible CITT challenges. There are opportunities to improve the clarity of the evaluation and selection methodologies in the solicitation documents

Multiple Standing Offers

The solicitation documents for multiple standing offers should contain all details related to the number of bidders that will receive a standing offer, the method by which they will be selected, and the call-up methodology.

In 13 % (13/100) of the cases examined multiple standing offers were involved. In 23% (3/13) of these cases, the number of standing offers to be issued was not stated in the RFSO. In 15% (2/13) of these cases, the method by which contractors were selected to receive a standing offer was not specified in the RFSO. In 85% (11/13) of these cases, the call-up methodology had not

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been specified in the RFSO. Missing information could lead to confusion and possible challenges from bidders or standing offer holders. There are opportunities to improve this aspect of how the process for issuing multiple standing offers is conducted.

Communication with Bidders

There should be equal treatment of suppliers in the dissemination of information. All bidders should receive the same information at the same time in order for the process to be conducted openly and fairly.

In all cases where there were requests for additional information by bidders, these information requests were handled appropriately and well. In 6% (6/100) of the cases examined there was a bidders conference, 83% (5/6) of these files contained neither the minutes of the meetings nor an indication that the minutes were sent to all bidders. This aspect of communication with bidders requires additional attention.

Evaluation

The evaluation should be conducted in a manner which is consistent with the solicitation documents. Only responsive bidders meeting mandatory criteria and who have passed rated criteria should be considered for contract award. The results of the evaluation should be clearly supported and documented.

In none of the files examined was there evidence that the criteria used in the evaluation were different from the criteria stated in the RFP. In 95% (81/85) of the cases, only bidders meeting the mandatory criteria remained in the selection process. In none of the files were responsive bidders eliminated from the evaluation. In 35% (13/37) of the cases where there was a technical evaluation, there was no evidence that price proposals were kept separate from the technical proposals. In 4% (4/100) of the cases changes were allowed to a supplier's offer after the closing date which may have favoured one of the bidders. In 2% (2/100) of the files, proposals were accepted after the closing date. Generally there was a need to improve the level of documentation on the files. The award process needs to be conducted in an open and transparent manner in order to uphold the integrity of the procurement process and avoid putting the department at risk of complaints and challenges from unsuccessful bidders as well as possible CITT challenges.

Conclusions

A statistical sample of sufficient size was selected to allow the audit team to conclude with a high degree of reliability, that the results of this audit are representative of the population of contracts in Quebec Region for goods and services (excluding construction and architecture and engineering consulting) greater than \$25,000 issued during FY2000-2001. The criteria used in this audit were based on key contracting regulations, legislation, trade agreements and policies/guidelines.

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As identified in the detailed report, the large majority of the contracts were in compliance with the audit criteria. However, material instances of non-compliance were found related to: ensuring the clarity and completeness of solicitation documents; and ensuring that bid evaluations are done fairly and accurately.

Recommendations

It is recommended that the Quebec Regional Director General:

1. *take action to ensure that, in the Quebec Region, all solicitation documents contain clearly stated evaluation criteria and selection methods; and that all contracts are issued in accordance with the solicitation document.*
2. *inform the Assistant Deputy Minister, SOSB, when the required actions have been completed.*

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1 Introduction

1.1 Authority for the Project

This project was part of the 2001/2002 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 of this audit 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 and Methodology

The audit covered contracts let, and/or standing offers initiated by the Quebec Region during FY 2000/2001. Low dollar value contracts (under \$25,000), construction contracts and architecture and engineering consulting contracts were excluded from the scope.

Specifically, the audit focused on bid evaluation and contractor selection from the time of procurement planning through to contract award or the issuance of the standing offer. Bid evaluation and contractor selection generally encompasses the following steps: reviewing the requirements definition; establishing 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 bidder(s).

For the period April 2000 through March 2001, 488 goods and/or services contracts and standing offers were handled by Quebec Region. This does not include construction or architecture and engineering consulting contracts.

The audit included a sample of 100 files drawn from the region's offices in Montreal, Quebec City and Bagotville. The sample was statistically valid to provide 95% level of confidence in the results for each of the region's offices. The sample was broken down as follows

Office Location	Population	Sample Size
Montreal	263	44
Quebec City	213	44
Bagotville	12	12
Total	488	100

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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's complaint or a 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 audits of the practices relating to bid evaluation and selection methods. The audit verify compliance with PWGSC procurement policies and guidelines. Audits 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, Western and Ontario Regions have been completed to date. The Audit and Review Committee approved this years audit for Quebec Region as part of its 2001-2002 Departmental Audit and Review Plan.

2 Findings, Conclusions and Recommendations

2.1 Procurement Planning

The Procurement Plan or Contract Planning and Advanced Approval (CPAA) on file should contain sufficient information with respect to evaluation/selection methods to permit a substantive review, and these should be reviewed and approved by the appropriate levels including Contract Quality Control, if applicable.

In 81% (58/72) of the files where they were required there was a properly authorized Contract Planning and Advanced Approval (CPAA) or Procurement Plan on file. Those files which did not contain an approval document were within the Contracting Officer's approval. Frequently the CPAA on file stated that the selection method would be "best overall value" when the actual selection method used was "lowest responsive". Appropriate sign off was obtained by the Contract Quality Assurance Officer when it was required.

There is minimal risk associated with not having a CPAA on file for contracts within the Contracting Officer's authority, however, it is a requirement of the policy and should be present on all contract files for which they are required. The importance of providing all relevant and accurate procurement planning information through a properly authorized CPAA should be reinforced and communicated.

2.2 Evaluation Criteria and Basis of Selection

The evaluation criteria, the method by which these criteria will be evaluated, and the basis of selection should all be clearly defined and well communicated in the solicitation documents. Clarity of the information in the solicitation documents ensures a common understanding of the evaluation and selection method by all bidders and is vital to the integrity of the process.

In 86% (75/87) of the cases examined where there were mandatory criteria, the audit team found these criteria to be clearly and completely stated in the solicitation documents. The cases judged to be confusing or unclear had: mandatory criteria which were not clearly identified as such; had point rated criteria identified as mandatory criteria or had mandatory criteria which could not be answered with a yes/no response. In 93% (81/87) of the cases, the mandatory criteria were judged to be not so restrictive that potential bidders could have been restricted from bidding. Cases were judged to be unduly exclusionary because they limited competition to a specific geographic area, size of firm or particular brand of equipment.

In 88% (21/24) of the cases where there were rated criteria, these criteria and their weightings were provided in sufficient detail in the RFP. The criteria which were not provided in sufficient detail should have shown more detailed breakdowns of how points were to be awarded in the RFP. These rated criteria were judged to be clear and logical in 96% (23/24) of the cases. The one case judged to be confusing had sections in the RFP for both mandatory and essential criteria.

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Eleven percent (11/100) of the files examined contained desirable criteria. In 55% (6/11) of the files which contained desirable criteria, there was no clear method on how or whether these desirable criteria were to be factored in the evaluations

Eighty-six percent (86/100) of the files examined contained a selection method in the RFP. Usually when there was no selection method stated in the RFP the contract was awarded based upon lowest price. In 10% (10/100) of the cases examined the selection method was judged by the audit team to be unclearly stated in the RFP. These cases had ambiguously stated selection methods, multiple selection methods or selection methods in an inappropriate section of the solicitation document.

Clarity of the information in the solicitation documents ensures a common understanding on the evaluation and selection method by all bidders and is central to the integrity of the procurement process. A lack of clarity within the solicitation documents puts the department at risk of complaints and challenges to contract awards as well as possible CITT challenges. There are opportunities to improve the clarity of the evaluation and selection methodologies in the solicitation documents

2.3 Multiple Standing Offers

The solicitation documents for multiple standing offers should contain all details related to the number of bidders that will receive a standing offer, the method by which they will be selected, and the call-up methodology.

In 13% (13/100) of the cases examined involved multiple standing offers. In 23% (3/13) of these cases, the number of standing offers to be issued was not stated in the RFSO. In 15% (2/13) of these cases, the method by which contractors were selected to receive a standing offer was not specified in the RFSO. In 85% (11/13) of these cases, the call-up methodology had not been specified in the RFSO.

It is important that all information related to the issuance of multiple standing offers is clearly stated in the RFSO. Missing information could lead to confusion and possible challenges from bidders or standing offer holders. There are opportunities to improve this aspect of how the process for issuing multiple standing offers is conducted.

2.4 Communication with Bidders

There should be equal treatment of suppliers in the dissemination of information. All bidders should receive the same information at the same time in order for the process to be conducted openly and fairly.

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In all cases where there were requests for additional information by bidders, these information requests were handled appropriately and well. In 6% (6/100) of the cases examined there was a bidders conference, 83% (5/6) of these files contained neither the minutes of the meetings nor an indication that the minutes were sent to all bidders. This aspect of communication with bidders requires additional attention.

2.5 Evaluation

The evaluation should be conducted in a manner which is consistent with the solicitation documents. Only responsive bidders meeting mandatory criteria and who have passed rated criteria should be considered for contract award. The results of the evaluation should be clearly supported and documented.

In none of the files examined was there evidence that the criteria used in the evaluation were different from the criteria stated in the RFP. In 95% (81/85) of the cases, only bidders meeting the mandatory criteria remained in the selection process. In none of the files were responsive bidders eliminated from the evaluation.

In 35% (13/37) of the cases where there was a technical evaluation, there was no evidence that price proposals were kept separate from the technical proposals.

In 4% (4/100) of the files examined changes were allowed to a supplier's offer after the closing date which may have favoured one of the bidders. These changes included: a bidder being allowed to drop a condition and another being allowed to withdraw an offer. In 2% (2/100) of the files, proposals were accepted after the closing date.

Generally there was a need to improve the level of documentation on the files. Specific documentation which was not seen on all files included:

- ♦ Rationale for eliminating bidders not meeting mandatory criteria;
- ♦ Technical evaluations which did not have statistical ratings with supporting narratives;
- ♦ Evidence of consensus of the technical evaluation team;
- ♦ Score sheets of individual members of the technical evaluation team.

The evaluation should be conducted in a manner which is consistent with the solicitation documents. Only responsive bids which arrive before bid closing should be considered for contract award. The results of the evaluation should be clearly supported and documented. The award process needs to be conducted in an open and transparent manner in order to uphold the integrity of the procurement process and to avoid putting the department at risk of complaints and challenges from unsuccessful bidders as well as possible CITT challenges.

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Recommendations

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