

PUBLIC WORKS AND GOVERNMENT SERVICES CANADA

AUDIT AND REVIEW BRANCH

FINAL REPORT

99-644

Review of Bid Evaluation and Selection Methods

for Standing Offers in the Western Region

Audit and Review Committee Approval

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Executive Summary

Authority for the Project

This project is part of the 1999/2000 Audit and Review Plan, which was approved by the Audit and Review Committee.

Objective

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

Scope

The review covered standing offers initiated from April 1998 to March 1999 in the Western Region.

Specifically, the review focused on bid evaluation and supplier selection from the time of procurement planning through to the issuance of the standing offer. Bid evaluation and supplier 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 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.

Key Findings

The following findings, noted throughout the Western Region, were more strongly observed in some offices than others:

- In many cases a properly authorized CPAA which addressed the selection method was not found on the file when required.
- In many cases where mandatory and point-rated evaluation criteria were used they were not well articulated and organized in the solicitation document.
- In many cases the RFSO did not include a well articulated selection methodology.
- In some instances 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 documenting on file the assessment against mandatory criteria, not converting prices to a common pricing basis, not eliminating bidders who fail to comply with mandatory requirements, not explaining why a particular product was eliminated, etc.
- In some cases the evaluation of the bids was not strictly in accordance with the evaluation and selection processes enunciated in the RFSO.
- The Workforce Reduction Program clause included in the RFSO requires that a certification be completed and signed as a mandatory requirement when professional fees for a former public servant may be involved. There were instances when the clause was included inappropriately in the RFSO and inconsistent treatment was observed throughout the Western Region when suppliers failed to complete and sign the certification. Since it is understood that the Early Retirement Incentive Program ended in March 1998, and the Early Departure Incentive Program ended in June 1998; the appropriateness of continuing to include the Workforce Reduction clauses in the solicitation documents is questioned.

Conclusions

The importance of providing all relevant information, through a properly authorized CPAA needs to be communicated and reinforced.

There are opportunities to improve the manner in which mandatory and point-rated evaluation criteria are articulated and organized in the solicitation document.

There is a need to include a well articulated selection methodology in the solicitation document.

There is opportunity to improve the degree to which the Western Region complies with the stated evaluation and selection process.

Recommendations

It is therefore recommended that:

1. *the Regional Director General, Western Region take action through guidelines and/or training to ensure that officers within the Western Region include a properly authorized CPAA on file when required, that all solicitation documents contain clearly stated evaluation criteria and selection methods, and that all standing offers be issued in accordance with the solicitation document.*
2. *the ADM-SOSB review the continuing need for the use of the Workforce Reduction Program clause and take appropriate action.*

1 Introduction

1.1 Authority for the Project

This project is part of the 1999/2000 Audit and Review Plan, which was approved by the Audit and Review Committee.

1.2 Objective

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

1.3 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 Atlantic Region, and the Industrial and Commercial Products and Standardization Services (ICPSS) Sector have been completed to date. In addition, a survey of all procurement staff involved in competitive contracting was conducted in the fall of 1997.

1.4 Scope and Methodology

This audit covered the procurement process for standing offers carried out by the Western Region. Specifically, the focus of the review was on bid evaluation and supplier selection from the time of procurement planning through to issuance of the standing offer. 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 Standing Offer (RFSO) which advises suppliers of the evaluation/selection

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In the period April 1998 to March 1999, 899 standing offer files were handled in the Western Region. This number does not include standing offer files issued on behalf of RPS since that information was not captured in the Automated Buyer Environment (ABE) system at the time.

During the audit, 117 standing offer files were reviewed from five Western regional offices: Brandon, Calgary, Edmonton, Regina and Winnipeg. Given the sample of 117 files reviewed out of a population of 899 the results of the audit are accurate +/- 10%, 19 times out of 20 or 95% of the time. The majority (101 files) of the files selected included a lowest price responsive selection methodology in the RFSO. Approval authorities on the 117 files reviewed were the following:

Level of Approval authority	Number of files
Regional Director General	1
Director	9
Manager	24
Procurement Officer	83
Total	117

2. Issues Examined and Findings

2.1 Establishment of evaluation and selection methods

- In the 71 files where a CPAA/Procurement Plan was required there were 21 cases where properly authorized CPAAs which addressed the selection method were not found on the files when required. In the majority of those cases, a CPAA approved by the procurement officer should have been on the file. In one case, the file was at Director approval level and should have been submitted to the Procurement Strategy Committee because it was greater than \$2 million.
- For the CPAAs that were approved at a level higher than the procurement officer, little information was provided on the CPAA, particularly with respect to evaluation criteria and the selection methodology.
- When required, there was evidence of review by the Regional Program Advisor (Quality Control in Edmonton).

Conclusion

The importance of providing all relevant 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 RFSO 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.

2.2 Articulation and clarity of the evaluation and selection methods

In several instances the evaluation criteria could have been clearer and better articulated. Examples are:

- Of the 84 files which contained mandatory requirements, these were clearly identified in the majority of files (59 files). Nonetheless a significant number of files (25) contained mandatory requirements which were confusing, unclear and/or incomplete. In some of those cases the confusion related to the fact that the RFSOs did not specifically identify mandatory requirements by listing them or by stating clearly that certifications had to be provided (i.e. Work Force Reduction, Canadian Content, Employment Equity).
- In other cases some statements were made that could have been considered mandatory criteria as it was not clear whether they would be used to determine the responsiveness of the bid, or whether they were conditions which would be met through the performance of the work.

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There is a need to differentiate between mandatory requirements for evaluation purposes and mandatory requirements for the performance of the work.

- Key statements using words such as “must”, “shall” in the “Special Conditions” or elsewhere in the RFSO were not specifically included as mandatory items in a listing of “mandatory” requirements for evaluation purposes.

- In the 13 cases where rated criteria were used, the following was observed. In nine cases the rated evaluation criteria were logical and provided in sufficient detail to advise bidders how their offers would be evaluated. In the other four cases, the rated criteria in the RFSO lacked clarity and were not in sufficient detail to advise bidders how their proposals would be evaluated. Examples include: a miscalculation in the maximum number of points available and the corresponding minimum pass mark in the RFSO; the point-rated criteria were very broadly expressed in the RFSO but did not provide additional detail (sub-criteria) regarding the evaluation; and, the requirement to provide a narrative component about the firm and its employees was identified but no method was provided in the RFSO to evaluate this information.

- In one case where desirable criteria were used, these were also listed as rated criteria and were included in the pass/fail evaluation. Generally, desirable criteria are used only for bonus points once a supplier passes the minimum rated threshold.

In several instances the selection method could have been clearer and better articulated. Examples are:

- Of the 117 files reviewed, 60 contained a selection method which was clearly expressed in the RFSO, 21 did not contain any statement in the RFSO with regards to the selection method. In the remaining 36 files the selection method was unclear due to either the formulation of the statement or to the fact that the statement was included amongst other statements all listed under clauses titled as ‘Evaluation Criteria’, or ‘Special Conditions’.

- In some instances when mandatory criteria were included in the RFSO, the selection method did not indicate that in order to be considered responsive, bidders must meet mandatory criteria. (e.g. It is anticipated that an award will be made to the Supplier which submits the lowest aggregate price based on the estimated quantities and evaluation total).

- In some instances where there was a possibility of issuing more than one standing offer, the methodology to do so, and the number of standing offers to be issued, were not clearly enunciated. In some cases the RFSO stated “... should it be in the interests of the Crown to do so, the requirement may be divided between 2 or more suppliers”.

- In one case three selection methodologies were provided, (e.g. lowest price per item and/or destination or group of items and/or destination or lowest aggregate).

Conclusion

There are opportunities to improve the manner in which mandatory and point-rated evaluation criteria (including mandatory criteria of an administrative nature) are articulated and organized in the solicitation document. Also, there is a need to include a well articulated selection methodology in the solicitation document.

2.3 Compliance with the stated evaluation and selection process

In several instances the methodology for selection of the successful bidder, if challenged, would not be defensible. Examples are:

- Items that should have been converted to a common pricing basis were eliminated from the evaluation, or comparisons were done without using a common unit pricing basis (e.g. kg compared to grams without conversion, quantities compared to lb.)
- A minimum delivery requirement of 21 days was used to disqualify the lowest bidder who bid 50 days delivery time. There was no statement in the RFSO with regard to an acceptable number of days delivery time.
 - The RFSO identified certain items that would be subject to price evaluation. The procurement officer noted significant variances between suppliers in the prices quoted for those items but did not confirm the low prices with the suppliers. Instead the officer removed four of the twelve items from the calculation because of the discrepancy in the price range. Errors were made in the recalculation of the tabulation which resulted in an incorrect selection of the bidders.
- The estimated usage stated in the RFSO was not strictly applied in the evaluation of the bids.
- There was no justification on file explaining specifically why a particular product did not meet the required specification which resulted in the bid being considered non-compliant.
- Although the selection method expressed in the RFSO indicated only one Standing Offer would be issued, there were two Standing Offers issued and the basis for doing so was not explained on the file.
- There were two statements in the RFSO: "Two Standing Offers valued at \$50K each will be awarded" and "More than one Standing Offer can be awarded." The subsequent selection method conflicted with the first statement as three Standing Offers were issued.

In a significant number of instances application of the mandatory criteria, if challenged, would not be defensible. Examples are:

- Bidders were not eliminated even though they did not appropriately sign the required mandatory certifications (e.g. Work Force Reduction Program, Canadian content, Journeyman's Certificate). In these cases, bidders either provided no information and did not sign the certification or they provided the required information but did not sign the required certification.
- In other instances, where there were mandatory criteria in the RFSO, there was no evidence on file that they were assessed. This was particularly noted in those cases where there was only one offer received in response to the RFSO. In some cases bidders not meeting mandatory criteria were not rejected (e.g. not signing the front page of the standing offer).

Conclusion

There is opportunity to improve the degree to which the Western Region complies with the stated evaluation and selection processes. The need to adequately apply the stated process and properly document the file in order to demonstrate the integrity of the procurement function needs to be reinforced.

2.4 Integrity and adequacy of communications with bidders

In the 13 files where bidders made information requests with regards to some aspect of the RFSO, the procurement officers handled these very diligently. When amendments to the RFSO were required as a result of such requests, the proper actions were taken to inform all bidders of the changes thereby ensuring an equitable and fair treatment of the suppliers involved.

2.5 Inappropriate Clause in RFSOs

The Workforce Reduction Program clause included in the RFSO requires that a certification be completed and signed as a mandatory requirement when professional fees for a former public servant may be involved. There were instances when the clause was included inappropriately in the RFSO as the requirement was for goods or for services when no professional fees were involved. Also, inconsistent treatment was observed throughout the Western Region when suppliers failed to complete and sign the certification. In some cases suppliers were issued a standing offer; in other cases they were rejected. Since it is understood that the Early Retirement

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Incentive Program ended in March 1998, and the Early Departure Incentive Program ended in June 1998, the appropriateness of continuing to include the Workforce Reduction clause in the solicitation documents is questioned.

3. General Conclusions and Recommendations

3.1 General Conclusions

The importance of providing all relevant information, through a properly authorized CPAA needs to be communicated and reinforced.

There are opportunities to improve the manner in which mandatory and point-rated evaluation criteria are articulated and organized in the solicitation document. There is also a need to include a well articulated selection methodology in the solicitation document.

There is opportunity to improve the degree to which the Western Region complies with the stated evaluation and selection process.

3.2 Recommendations

It is therefore recommended that:

1. *the Regional Director General, Western Region take action through guidelines and/or training to ensure that officers within the Western Region include a properly authorized CPAA on file when required, that all solicitation documents contain clearly stated evaluation criteria and selection methods, and that all standing offers be issued in accordance with the solicitation document.*
2. *the ADM-SOSB review the continuing need for the use of the Workforce Reduction Program clause and take appropriate action.*