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Audit and Ethics
Branch

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2002-726 Final Report

Audit of Bid Evaluation and Contractor Selection in Pacific Region

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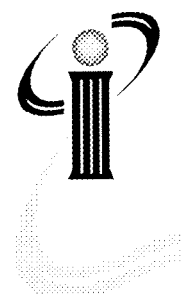


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Executive Summary

Authority for the Project

This project was part of the 2002-2003 Audit and Review Plan, as approved by the Audit and Review Committee.

Objectives

The objective of this audit was to determine the extent to which Public Works and Government Services Canada (PWGSC) policies, procedures and controls for bid evaluation and contractor selection methodologies are being observed.

Scope and Methodology

The review covered contracts let, and/or standing offers initiated, for and/or by the Pacific Region during FY2001-2002. Low dollar value contracts (under \$25,000) were excluded from the scope. Specifically, the review focussed on bid evaluation and contractor selection from the time of procurement planning through to contract award or the implementation of the standing offer.

A statistically valid sample providing 90% confidence with a 10% margin of error was randomly selected from the population of 334 files, whose parameters were defined in the scope above. The sample of 80 procurement files covers the three procurement offices of the Pacific Region - Vancouver, Victoria and Whitehorse.¹

Background

The Minister of PWGSC 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 PWGSC vulnerable to a successful challenge at the Canadian International Trade Tribunal (CITT). As this is an important area, the Audit and Ethics Branch (AEB) has been conducting, on a rotational basis, reviews of sector and regional practices regarding evaluation and selection methods.

¹ One of the 80 files was miscoded as competitive and was removed from the sample.

Key Findings

Procurement Planning

The audit expected to find a Procurement Plan or a Contract Planning and Advance Approval (CPAA) document on all files valued above \$50,000. The procurement planning document should contain sufficient information with respect to evaluation/selection methods to permit a substantive review, and should be reviewed and approved by the appropriate levels, including Contract Quality Control, where applicable.

Approximately half the procurements above \$50,000 contained a Contract Planning and Advance Approval (CPAA) document on file. Those files that did not have the required CPAA were mostly within the Contracting Officer's own contract approval authority, i.e., less risk. A CPAA is nevertheless a policy requirement and should be present on all required contract files.

Evaluation Criteria and Basis of Selection

The solicitation document is expected to contain evaluation criteria and a method for selecting the contractor which are clearly stated and well defined. A lack of clarity in these areas increases the risk of challenges to contract awards and CITT complaints. While a good majority of the files contained clearly stated evaluation criteria and selection methods, there are nevertheless opportunities to improve clarity in this regard.

Multiple Standing Offers (or Contracts)

The solicitation documents for multiple standing offers or contracts should contain all details related to, inter alia, the number of bidders that will receive a standing offer, the method by which they will be selected, and the call-up methodology. Missing information could lead to confusion and possible challenges from bidders or standing offer holders.

The audit found that there are opportunities to improve the clarity of the information, specifically with respect to the number of standing offers (or contracts) that were to be issued, and the method by which standing offer holders were to be selected to receive a call-up.

Communication with Bidders

The audit found that suppliers were provided with equal treatment in the dissemination of information. Specifically, suppliers were given an equal opportunity to participate in the procurement, and were sent the same information at the same time, thereby contributing to the openness and fairness of the procurement process.

Evaluation of Bids and Contractor Selection

A fair and open procurement process requires clear evidence that all bids were evaluated in accordance with the criteria stated in the bid solicitation document and that the successful bidder was selected in accordance with the stated selection method.

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Regarding the application of bid evaluation criteria, the level of documentation on the files requires additional attention. Specific documentation which was not seen on all files as required included:

- evaluation reports documenting the results of the evaluation and selection
- formal documents stating why a bidder was considered compliant or non-compliant
- supporting narrative for point-rated evaluations
- evidence of consensus of the technical evaluation team

Nevertheless, it should be noted that several files contained detailed tabulation and evaluation sheets clearly summarizing the bid evaluation, thereby providing assurance that the evaluation was fully completed.

With respect to the application of selection methods, the stated selection method was used to select the contractor in almost all cases. Deviation from the stated selection method is considered to be a high risk area. The audit, however, found no issues of a systemic nature in this regard.

Conclusions

Overall, procurements above \$25,000 in the Pacific Region are being conducted with integrity and in compliance with PWGSC policies, procedures and controls with respect to bid evaluation and contractor selection.

There are, however, opportunities to strengthen procurement practices and controls with regards to providing all relevant procurement planning information through a properly authorized CPAA, and ensuring clarity and completeness of bid solicitation documents and transparency of the applied bid evaluation criteria and selection methods.

Recommendations

It is recommended that the Regional Director General, Pacific Region:

1. *take action to ensure that all solicitation documents issued in a competitive environment contain clearly stated evaluation criteria and selection methods and that their application is well documented.*
2. *inform the Assistant Deputy Minister, Supply Operations Service Branch when the required actions have been implemented.*

1 Introduction

1.1 Authority for the Project

This project was part of the 2002-2003 Audit and Review Plan, as approved by the Audit and Review Committee.

1.2 Objectives

The objective of this audit was to determine the extent to which Public Works and Government Services Canada (PWGSC) policies, procedures and controls for bid evaluation and contractor selection methodologies are being observed.

1.3 Scope and Methodology

The review covered contracts let, and/or standing offers initiated, for and/or by the Pacific Region during FY2001-2002. Low dollar value contracts (under \$25,000) were excluded from the scope.

Specifically, the review focussed on bid evaluation and contractor selection from the time of procurement planning through to contract award or the implementation 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).

A statistically valid sample providing 90% confidence with a 10% margin of error was randomly selected from the population of 334 files, whose parameters were defined in the scope above. The sample of 80 procurement files covers the three procurement offices of the Pacific Region - Vancouver, Victoria and Whitehorse.²

1.4 Background

The Minister of PWGSC 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.

² One of the 80 files was miscoded as competitive and was removed from the sample.

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

2 Findings, Conclusions and Recommendations

2.1 Procurement Planning

The audit expected to find a Procurement Plan or a Contract Planning and Advance Approval (CPAA) document on all files valued above \$50,000. The procurement planning document should contain sufficient information with respect to evaluation/selection methods to permit a substantive review, and should be reviewed and approved by the appropriate levels, including Contract Quality Control, where applicable.

In 52% (27/52) of the procurements above \$50,000, the file contained a Contract Planning and Advance Approval (CPAA) document on file. Those files that did not have the required CPAA (48%) were mostly within the Contracting Officer's own contract approval authority, i.e., less risk. In a number of the files where a CPAA was used, the CPAA stated that the selection method would be "Best Overall Value", when the selection method used was actually "Lowest Responsive".

While there is less risk associated with not having a CPAA on file for contracts within the contracting officer's own approval authority, the preparation of a CPAA is a policy requirement and it should be present on all required contract files. 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 solicitation document should contain evaluation criteria and a method for selecting the contractor which are clearly stated and well defined. Clarity of the information in the solicitation document ensures a common understanding of the evaluation and selection method by all bidders and is vital to the integrity of the process.

In 82% (58/72) of procurements with mandatory criteria, these criteria were clearly and completely identified in the Request for Proposal (RFP). The remaining 14 procurements had mandatory criteria that were unclear or confusing. In 97% (70/72) of procurements with mandatory criteria, the criteria were considered impartial and unbiased. The remaining 2 procurements had criteria which were judged to be unduly exclusionary.

In 75% (12/16) of procurements containing point-rated criteria, the criteria were well defined and clearly communicated in sufficient detail in the RFP. The remaining 4 files had point-rated criteria that were unclear to some degree or had confusing scoring mechanisms.

In 91% (72/79) of the files reviewed, the selection method was clearly articulated in the RFP. For the remaining 7 files, the selection method was either unstated (3 files), or unclear (4 files).

There are opportunities to improve the clarity of the evaluation criteria and selection methods in the solicitation documents. A lack of clarity in these areas increases the risk of challenges to contract awards and CITT complaints. It should be noted, however, that in several files, the mandatory evaluation criteria had been grouped and organized in one section of the bid solicitation document for clarity and ease of reference. This practice could be shared within the region.

2.3 Multiple Standing Offers (or Contracts)

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

In 57% (8/14) of the procurements involving multiple standing offers (or contracts), the RFP clearly specified the number of standing offers (or contracts) that were to be issued. In the remaining 6 files, the number of standing offers to be issued had not been specified or was unclear. In 86% (12/14) of the procurements involving multiple standing offers (or contracts), the method by which bidders were to be selected to receive a standing offer was specified in the RFP. In 64% (9/14) of the procurements involving multiple standing offers (or contracts), the method by which standing offer holders were to be selected to receive a call-up was specified in the RFP.

It is important that all information related to multiple standing offers be clearly and completely stated in the solicitation documents. Missing information could lead to confusion and possible challenges from bidders or standing offer holders. There are opportunities to improve the clarity of the information in this regard.

2.4 Communication with Bidders

The audit expected to find suppliers being treated fairly and equally with respect to the dissemination of information.

There were 22 files containing one or more information requests from suppliers. In 100% (22/22) of these files, either appropriate responses were sent back to all bidders at the same time, or required only a minor clarification which did not necessitate a response to all bidders.

There were 9 files showing that changes were made to the evaluation criteria or the selection method after the RFP was issued. In 89% (8/9) of these files, RFP amendments had been appropriately issued to communicate the changes.

As well, in 100% (4/4) of the cases where a bidder complained, the complaints were properly handled by the contracting officer.

The audit found that suppliers were provided with equal treatment in the dissemination of information. Specifically, suppliers were given an equal opportunity to participate in the procurement, and were sent the same information at the same time, thereby contributing to the openness and fairness of the procurement process.

2.5 Evaluation of Bids and Contractor Selection

A fair and open procurement process requires clear evidence that all bids were evaluated in accordance with the criteria stated in the bid solicitation document and that the successful bidder was selected in accordance with the stated selection method.

In 75% (59/79) of the procurements reviewed, the file contained a formal statement documenting the results of the evaluation and selection. Of the other 20 procurements, 13 were relatively straight-forward, where the results could be confirmed by examining the solicitation documents and the bids received. The remaining 7 files had no formal statement and no clear audit trail showing how the results of the evaluation were achieved.

Application of Mandatory Evaluation Criteria

In 90% (65/72) of the procurements containing mandatory evaluation criteria, the criteria stated in the RFP was used to evaluate the bids. In the remaining files, 3 used criteria that differed to some degree from the stated evaluation criteria, and 4 had no audit trail.

In 68% (15/22) of the files in which at least 1 bidder did not meet the mandatory evaluation criteria, the file contained a formal document explaining why the bidder(s) did not meet the mandatory evaluation criteria. In 91% (20/22) of these files in which at least one bidder did not meet the mandatory criteria, the bidder was considered non-responsive and excluded from further consideration. In the remaining 2 cases, the bidder was not excluded from further consideration.

Application of Point-Rated Evaluation Criteria

In 63% (10/16) of the files containing point-rated evaluation criteria, the RFP included a pass mark on the point-rated criteria. In 69% (11/16) of these files, the evaluation report contained both the point-rating and strong narrative support for the assigned scores. The remaining 5 files had weak narrative support for the assigned scores. In 100% (10/10) of those files with a pass mark, all bidders below the pass mark were eliminated from further consideration, and all bidders above the pass mark were treated as responsive.

In 96% (76/79) of the files reviewed, no changes were allowed to suppliers' bids after bid closing. In the remaining 3 files, a bid modification was permitted after bid closing.

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Regarding the application of bid evaluation criteria, the level of documentation on the files requires additional attention. Specific documentation which was not seen on all files as required included:

- evaluation reports documenting the results of the evaluation and selection
- formal documents stating why a bidder was considered compliant or non-compliant
- supporting narrative for point-rated evaluations
- evidence of consensus of the technical evaluation team

Nevertheless, it should be noted that several files contained detailed tabulation and evaluation sheets clearly summarizing the bid evaluation, thereby providing assurance that the evaluation was fully completed .

Application of the Selection Method

In 96% (69/72) of the procurements where the selection method was clearly stated in the bid solicitation documentation, the stated selection method was used to select the contractor. Deviation from the stated selection method is considered to be a high risk area. The audit, however, found no issues of a systemic nature in this regard.

Conclusions

Overall, procurements above \$25,000 in the Pacific Region are being conducted with integrity and in compliance with PWGSC policies, procedures and controls with respect to bid evaluation and contractor selection.

There are, however, opportunities to strengthen procurement practices with regards to providing all relevant procurement planning information through a properly authorized CPAA, and ensuring clarity and completeness of bid solicitation documents and transparency of the applied bid evaluation criteria and selection methods.

Recommendations

It is recommended that the Regional Director General, Pacific Region:

1. *take action to ensure that all solicitation documents issued in a competitive environment contain clearly stated evaluation criteria and selection methods and that their application is well documented.*
2. *inform the Assistant Deputy Minister, Supply Operations Service Branch when the required actions have been implemented.*