

January 16, 2012

Management Responses

Auditor General Report

HRM - Request for proposal (RFP) Process

Report Date: November 23, 2011

The following are management responses to the specific recommendations outlined in the Auditor General's report on the Request for Proposal (RFP) process administered by the Halifax Regional Municipality Procurement Department. The responses are listed using the same number sequence as the Auditor General's recommendations. These Management responses are in summary format. Management will be creating a more comprehensive implementation plan for the appropriate recommendations.

Recommendation 1.1.1

Management agrees. Management is currently reviewing and refreshing the Procurement Policy to incorporate the requirements of the Public Procurement Act and will be bringing forward recommendations to the Audit Committee in the next few months. This review will incorporate those areas highlighted in this report.

Owner: Anne Feist

Expected Completion Date: May 30, 2012

Recommendation 1.3.1

Management agrees. A standard training tool will be developed to outline the responsibility and purchasing authorities of each stakeholder in the RFP process by position or function, to improve clarity and accountability for tasks and outcomes.

Owner: Anne Feist

Expected Completion Date: April 30, 2012

Recommendation 1.3.2

Management agrees. A formal training session will be created for all employees who potentially could be required to use or participate in an RFP process to procure goods, services and construction

Owner: Anne Feist

Expected Completion Date: April 30, 2012

Recommendation 2.1.1

Management strongly agrees the RFP process should include “whole life costing” as a formal procurement requirement including both upfront costs as well as recurring costs when assigning value in the RFP process.

Owner: Senior Management Team / Director Finance /Anne Feist

Expected Completion Date: February 28, 2012

Recommendation 2.2.1

Management agrees. Management has adopted an RFP evaluation format that provides for the deduction of points for submissions that waiver from the administrative and legal requirements of the RFP. The deduction is recorded as part of the evaluation scoring matrix and is based upon an assessment of HRM risk. A penalty matrix based on the level of risk associated with non compliance or exceptions to the submission requirements and terms and conditions will be developed and incorporated into the standard RFP format.

Owner: Senior Management Team / Director Finance /Anne Feist

Expected Completion Date: May 30, 2012

Recommendation 2.2.2

Management does agree a waiver of submission requirements should be properly documented in the RFP file. This process does currently exist but management will review the process for completeness and consistency.

Owner: Stephen Terry

Expected Completion Date: March 31, 2012

Recommendation 2.3.1

Management agrees that based on current trends in RFP governance, process and procedures we should consider the pass/fail process and use a two-step “Request for Qualifications” followed by an “Invite to Bid” when the services, goods or supplies being procured are clearly defined and can be supplied by more than then one vendor. This two-step process is currently being used for the External Auditor RFP. The vendors meeting the requirements in the phase one request for qualifications will then be invited to submit a cost bid. The lowest cost bid would be accepted. Management believes that this two-step RFP process would not be appropriate in circumstances such as consulting services where it is more difficult to articulate definitive qualifications and methodology to be taken. In these circumstances the combined scoring RFP process would be appropriate.

Management does agree there is merit in the Auditor Generals recommendation of setting the need for the vendor to meet 80% of the requirements in order for an invitation for a bid. Although, management recommends keeping the percentage at 75% because of the potential of eliminating the invitation to bid from vendors that may only score 75% instead of an 80% on requirements but may have a significantly lower cost bid.

Owner: Stephen Terry / Anne Feist

Expected Completion March 31, 2012

Recommendation 2.3.2

Management agrees. If a combined scoring approach is used management will strive to simplify the technical proposal evaluation stage to focus on sector and functional expertise.

Owner: Business Unit Management Creating RFPs Criteria / Senior Procurement Consultants

Expected Completion Date: January 31, 2012

Recommendation 2.3.3

Management agrees. An appropriate and consistent approach to cost weighting should be used if a combined scoring methodology is used for an RFP. Management believes a 30% cost weighting as a rule of thumb is appropriate but believe that the cost weighting for each RFP should be individually assessed considering the nature and risk of the procurement. In addition management will be evaluating the cost weighting formula used in the RFP. A formula that results in a more appropriate method of assigning points to the lowest cost vendor and the other vendors is required.

Owner: Director Finance / Stephen Terry

Expected Completion Date: February 15, 2012

Recommendation 2.3.4

Management agrees all scoring decisions should be supported by a narrative sufficient to explain the reason for the decision taken.

Owner: Anne Feist

Expected Completion Date: Done

Recommendation 2.4.1

Management will consider “best and final offer” methodology where the specifications and/or solution cannot be clearly and measurably described. These types of RFPs would be infrequent, for HRM, and would generally be appropriate for complex Information Technology solutions.

Owner: Anne Feist / Director Finance

Expected Completion Date: March 31, 2012

Recommendation 3.1.1

Management agrees Key Performance Indicators (KPI’s) to measure the level of success of the service, goods or supplies procured, by an RFP, should be implemented. For each RFP Management will select 2-3 KPI’s that will be used to post evaluate the benefits and quality of the services, goods or supplies procured.

Owner: Senior Procurement Consultants

Expected Completion Date: March 31, 2012

Recommendation 3.1.2

Management agrees an independent review process for complex RFPs should be established. The reviewer should be a senior level 4 manager.

Owner: Senior Management Team

Expected Completion Date: February 28, 2012

Recommendation 3.2.1

Management agrees a training session should be established for key individuals involved in the RFP process. This training session would be a four hour class room type training session offered 2-3 times a year and be performed by the Senior Procurement Consultants.

Owner: Senior Procurement Consultants

Expected Completion Date: April 30, 2012

Recommendation 3.3.1

Management agrees. Discussions are currently under way with the Province of Nova Scotia on greater collaboration with respect to procurement policies, processes and procedures. Enhanced vendor knowledge of the HRM procurement process will be part of the collaborated end state with the Province.

Owner: Anne Feist

Expected Completion Date: September 30, 2012

Recommendation 3.4.1

Management will expand the use of the existing vendor performance evaluation tool to all RFP's.

Owner: Anne Feist

Expected Completion Date: March 31, 2012

Recommendation 3.4.2

Management agrees and will review policy / practices that align vendor payment with measurable deliverables similar to current practices such as payment terms for construction projects and payments for external auditor services.

Owner: Louis de Montbrun

Expected Completion Date: March 31, 2012

Recommendation 4.1.1

Management agrees a clearly defined set of minimum requirements should exist for a complete RFP file and responsibilities for quality assurance checks should exist on a regular but random basis.

Owner: Anne Feist

Expected Completion Date: February 29, 2012

Recommendation 4.1.2

Management agrees and has adopted a checklist as defined in table 5 of the appendices section of this Auditor General's report.

Owner: Anne Feist

Expected Completion Date: Done