Procurement Audit Progress Report – 2023

Presented to the Internal Audit Steering Committee
April 2024

City of St. Albert
Cultivate Life

PROCUREMENT AUDIT PROGRESS REPORT

The Procurement Audit Progress Report is used to update the Internal Audit Steering Committee (IASC) on the status of the implementation of approved action plans to address the recommendations contained in the Procurement Audit Report.

About the Procurement Audit

The Procurement Audit was the first audited directed by the IASC and was completed in Q4 2019. Upon receipt of the report administration began implementing recommendations. The implementation of recommendations was disrupted in 2020 and 2021 which delayed many of the recommendations. Revised completion dates provided in this report indicate the Procurement Audit should be fully implemented by end of 2025.

Project Approach, Benefits & Accomplishments - 2023

The Procurement Audit project team has approach audit recommendations from a foundational perspective. The team has focused on establishing a solid foundation for procurement practices and operations and sequenced recommendations to introduce new aspects to corporate procurement upon a stable core service delivery. For example, the team has focused on documenting procurement processes and improving automation through the use of technology and is just beginning work to develop a new formalized contract management practice. Other recommendations that will be addressed later in 2024 and in 2025 include an internal risk-control framework, vendor performance and evaluation and work on a spend analysis. This approach promotes effective implementation of new or maturing practices while finding improvements and efficiencies in the day-to-day operations for the Purchasing Services team.

Key accomplishments achieved by the project team within the last year include:

- Finishing documentation of core procurement processes
- Piloting a new software to help employees draft and prepare competitive bid documents
- Completion of current state and best practice research for Contract Management
- Review of new contract templates for goods, services, construction and master framework agreements

Recommendations by Status

COMPLETED	CURRENT	FUTURE
1. Clarify Roles and Responsibilities 2. Develop Common Procurement Processes	3. Communication and Training 4. E-procurement Solution 5. Documenting Key Activities and Decisions 6. Procurement File Checklist 8. Leveraging Buy-in Power 14. Corporate Credit Cards 15. Contract Management Policy 16. Guidance on Procurement Contracts	7. Procurement Planning and Resourcing 9. Resourcing 10. Purchase Approval 11. Spend Analysis 12. Risk-based Internal Control Framework 13. Implement Mitigating Controls 17. Contractor References 18. Contractor Evaluation 19. Vendor's Previous Performance 20. Competitive Thresholds

Recommendations – Procurement Audit	Report Risk Rating	Approved Action Plan	Target Completion Date	Implementation Status	Revised Completion Date
✔ 1. Clarify Roles and Responsibilities	High	To adequately support the current decentralized procurement model, the City should clarify the roles and responsibilities of Purchasing, Legal Services and user departments in the procurement process. Guidance should also be provided on when consultation with Purchasing and Legal Services is required (e.g. high risk / high complexity procurement or when changes are made to contract templates). Once clarified, the Purchasing Policy should be updated to delineate the roles and responsibilities of Purchasing, Legal Services and user departments, including guidance on when consultation with Purchasing and Legal Services is required.	12/31/20	Defined roles and responsibilities have been drafted and presented to Leadership Team (July 2023). This includes roles and consultation guidelines for all departments with corporate functions. The directive update is scheduled to occur when other aspects of the Purchasing Directive are ready.	7/31/23
✔ 2. Develop Common Procurement Processes	High	In conjunction with clarifying the roles and responsibilities of Purchasing, Legal Services and user departments, the City should develop and document common procurement processes for employees to follow when acquiring goods and services (including construction).	12/31/20	The development and documentation of current purchasing processes have been finalized. The processes incorporate new roles and responsibilities and address changes resulting from the introduction of new software. This is a major component to more effectively support the remaining audit recommendations.	3/31/24

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● 3. Communication and Training	Medium	The City should develop a communication and training plan to guide the implementation of the common procurement processes and the procurement user guide. The plan should include information on how the common processes will be communicated across the City and a schedule for employee training.	12/31/20	Work is on schedule for development of training resources and communications. Work has started on developing training resources for procurement processes, specifically those associated with implementation of new software (recommendation #4). The project team has identified additional training requirements that will be supported through the implementation of other recommendations.

Internal communication tactics are nearing completion to support on-going and consistent internal access to information and resources. | 12/31/25 |

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● 4. E-procurement Solution	Medium	The City should consider obtaining and implementing an E-Procurement solution that will increase the efficiency and consistency of purchasing processes across the City. Such tools also provide document storage capacity allowing users to easy retain procurement documents and evidence compliance with policy and trade agreements.	12/31/20	Bids and Tenders has been implemented and is in use by employees and vendors for procurements. Additional modules will be implemented once contract management, vendor performance, and approvals are complete. This is the core module associated with this recommendation. A second software, RFx Drafter has been implemented to assist with the development of tender documents posted on Bids and Tenders. This software was soft launched at the end of 2023 with a wider release and training planned for 2024.	6/30/24
● 5. Documenting key activities and decisions	High	The City should expand the required activities that should be performed and information that should be documented within the master bid file. An expanded summary/checklist of key activities, reviews/approvals and documents to be retained in the master bid file should be developed and implemented.	12/31/20	This work has been started in alignment with recommendations #2, #4 and #6 and will be met through a combination of documentation and automation through software. Updates to documentation of key activities and decisions will need to occur as practices evolve and additional recommendations are completed, such as contract management and vendor performance.	12/31/24

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● 7. Procurement File Checklist	Medium	To improve consistency and accountability of the competitive procurement process, Purchasing should develop a procurement file checklist aligned with leading practice that outlines information that must be maintained on file along with key steps that must be completed in the procurement process. Employees should complete the checklist, noting dates of key activities and maintaining supporting documentation, to evidence the completion of the required procurement steps. By doing this, Purchasing will ensure key processes are being followed and control activities are taking place and evidenced.	12/31/20	This work is aligned with recommendations #2, #4 and #5 and will be met through a combination of documentation and automation through software.	6/30/24
● 7. Procurement Planning and Resourcing	High	As part of the annual capital budgeting process, Purchasing should work with departments to identify their upcoming procurement needs and develop a formal plan to meet those needs. The plan should identify upcoming capital projects and estimated timing of posting of opportunities to Alberta Purchasing Connection ("APC") or other similar websites, as well as the estimated support required from Purchasing and Legal Services.	12/31/20	This recommendation is scheduled to be completed in 2025.	3/31/25

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● 8. Leveraging Buying Power	Medium	As part of its annual operating budgeting process, Purchasing should work with user departments to identify common goods/services required across the City (e.g. office supplies, first aid supplies, office furniture, etc.). Where possible, leveraging opportunities for standing offers or collaborating with other municipalities should be considered. The Procurement Policy should be updated expressly to allow for the use of the Government of Alberta Standing Offers and promote its priority over procurement methods. User departments should be prohibited from obtaining goods/services available under standing offer using other procurement methods (e.g., corporate credit card).	12/31/20	The City has implemented a quick win through collaborating with the Government of Alberta standing offer and CANOE collaborative procurement. This recommendation is on track and will be further addressed through other recommendations such as the Spend Analysis (#11).	12/31/25

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⬤ 9. Resourcing	Medium	With the information generation from Recommendation #7 and #8, the demand for Purchasing and Legal Services resources for competitive procurement can be estimated and the City should assess the resourcing of each of these departments to ensure both departments have sufficient capacity required to support the procurement of and related contracting for goods/services and manage associated risks appropriately. This includes ensuring Purchasing has sufficient resources to carry out audits to assess user departments compliance with Policy. Once demand and capacity are assessed, the City should examine whether a centralized, hybrid, or decentralized model is most appropriate.	12/31/22	Initial requests have been taken to identify resources for 2025 such as a contract management specialist. This recommendation is scheduled to be completed in 2025.	3/31/25

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10. Purchase Approval	High	The City should require all employees to create purchase requisitions/purchase orders for the procurement of goods/services prior to the purchase taking place. The purchase requisition/purchase order should be approved by an appropriate authority and contain detailed information on the goods / services being procured. Pre-approval of purchase requisitions/purchase orders will provide assurance that unauthorized procurement of goods/services is not taking place and appropriate data will be collected to facilitate future spending analysis.	12/31/22	This recommendation is scheduled to be completed in 2025. This work is required to be aligned with the implementation of the City's human resource information system (HRIS) and the City's financial software (Agresso) to ensure continuity of the signing hierarchy. It is also dependent on resources within other departments and is awaiting assignment.	6/30/25
11. Spend Analysis	Low	The City should determine whether additional information can be obtained on the type of goods/services being procured by City employees using corporate credit cards (e.g. data file). If this information can be provided, the City should combine it with the spending information generated through the creation of purchase requisitions/purchase orders (Recommendation #10) to conduct spending analysis in the future. This spend analysis should inform future procurement planning and resourcing.	12/31/22	This recommendation is scheduled to be completed in 2025.	6/30/25

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12. Risk-based Internal Control Framework	Medium	The City should develop and maintain a risk-based control framework for procurement through to accounts payable and payment ("procure-to-pay cycle").	12/31/20	This recommendation is scheduled to begin in the second half of 2024. It includes the development of an operational risk register, a risk assessment tool, and a list of potential mitigations to address risks included in the register.	9/30/24
13. Implement Mitigating Controls	Medium	The City should implement mitigating internal controls or strategies to address the control deficiencies.	12/31/20	This recommendation will be addressed in late 2024 and in 2025.	12/31/25
14. Corporate Credit Cards	High	Review the City's current practice of corporate credit cards through the analysis of credit card activity and analysis of goods procured through credit cards. Guidelines should be set for spending limits and appropriate sign-offs. Consideration should also be given to who should maintain responsibility for administering the corporate credit cards program and whether it should be transferred to another function within Finance.	12/31/20	There was an analysis of corporate credit card count and use. A development of a structure for limits has been rolled out. Reviews with departments have been to review non-compliant transactions and reinforce the Finance directive. Conversations on the responsibility for corporate credit cards need to be finalized and implemented.	6/30/24

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● 15. Contract Management Policy	High	The City should develop and implement a contract management policy and supporting procedures to assist City employees in carrying out contract management activities. The contract management policy supporting procedures should contain guidance on the development and required review/approval of contract documents (including change orders) and monitoring of contractor activities.	12/31/20	This recommendation is track. A current state practice has been completed through internal interviews with various departments and best practice research is finishing in March. Q2 will be spent on developing the future practice for the City and ensuring cross-functional buy-in and defining shared roles and responsibilities. This work will result in a new contract management administrative directive and additional procedures for a standardized and consistent approach organizationally. Technology will be incorporated into the implementation of this recommendation. Processes associated with this work will also be completed in alignment with standards set in Recommendation #2.	7/31/24

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● 16. Guidance on Procurement Contracts	Medium	The City should include guidance on roles, responsibilities and processes for drafting, negotiating and executing procurement contracts (including change orders) as part of the recommended policy review and in the procurement user guide.	12/31/20	Significant progress has been made on this recommendation. New contract templates have developed in collaboration with Legal Services and Capital Projects. This work is likely to be complete by mid-year with an initial transition period this fall. Included with the roll out of the updated contracts is training and a guidance manual designed to explain the purpose, structure, and specific clauses within the City's contract (for City use only). Efficiencies will be realized through standardized contract templates and supplemental terms to developed that will reduce the requirement for legal reviews of contracts in the future.	5/31/24

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17. Contactor References	Medium	As part of the evaluation of proponent submissions (before contract award decisions have been made or communicated to vendors), Purchasing or user departments should check contractor references and document the results of the reference checks for proponents who have been either "short listed" for potential contract award, have been selected as the successful proponent, especially in the case of higher risk or non-routine procurements. Questionnaires should be developed to guide the reference checks to ensure all references are asked the same questions. The results of the reference checks should be included as part of the evaluation of submissions and retained within the master bid file. Purchasing should consider including steps to evaluate the proponent's financial status as part of the RFx and related evaluation process.	3/31/20	This recommendation with be addressed later this fall through the review and development of more robust vendor evaluation and performance practices. (aligned with #18 & 19)	12/31/24

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18. Contractor Evaluation	Medium	At the end of each contract, user departments should complete a formal contractor evaluation. Purchasing should develop a template to guide the evaluation and the results should be documented and shared with the contractor. In addition, notice of the evaluation protocol should be included in the RFx document.	3/31/20	This work is scheduled to begin in the second half of 2024, following the completion of the contract management practice work. (#15)	12/31/24
19. Vendor's Previous Performance	Low	Purchasing should consult with Legal Services and obtain advice on whether and how a vendor's previous performance with the City should be incorporated into evaluation criteria in future procurement opportunities without contravening trade agreement requirements.	12/31/20	This work is scheduled to begin in the second half of 2024, following the completion of the contract management practice work. (#15)	12/31/24
20. Competitive Thresholds	High	The City should review its current thresholds for competitive procurement to determine if they should be more consistent with NWPTA thresholds to help ensure the level of effort to procure goods/services is aligned to the value of those goods/services and the associated risks. Unless a valid business reason exists, the City should cease using competitive procurement processes to acquire goods/services valued at amounts less than those required by the City's Purchasing Policy.	6/30/20	An initial update of competitive thresholds was done since the audit report was received however; the work associated with the recommendation has been scheduled for 2025.	9/30/25