



Service Alberta Contract Management Processes



Executive Summary

November 2018

Who

Service Alberta

What

New Performance Audit

When

We conducted our field work between June and November 2017 and substantially completed our audit in January 2018.

Learn more

www.servicealberta.ca

Why we did this audit

Procurement of goods and services is a fundamental activity in the daily operation of the Government of Alberta. Each year, the government spends hundreds of millions of dollars contracting goods and services for large and complex projects. To ensure that Albertans realize the benefit of this spending, departments need to follow effective contract management processes.

In order to examine each of the processes above, we needed a contract of sufficient length and complexity. The Government of Alberta's contracts related to the Alberta SuperNet have these characteristics. In 2001, the government entered into a series of long-term contracts to build and operate the SuperNet, a telecommunications network that provides capacity for high-speed broadband services to rural Albertans.

The Department of Service Alberta has been delegated responsibility for oversight and management of selected large and complex contracts on behalf of the government, including the SuperNet contracts.

Including the initial investment of \$193 million, the department has indicated to us it estimates the government has spent approximately \$1 billion on the construction and operation of the SuperNet.

What we concluded

We conclude that the Department of Service Alberta did not in all significant respects have effective processes to manage the SuperNet contracts.

Processes related to performance measurement, compliance with contractual obligations, and contract evaluation were deficient and not working together. As a result, the department needed to extend the SuperNet operating agreement because it was not prepared for any other option.

Parties to the contract are not interpreting the terms and conditions in the contracts consistently. Inconsistent interpretation results in wasted time and

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increased cost, a higher risk of contract non-compliance, and a higher risk that the department will not achieve its desired results from the contracts.

The Department of Service Alberta has been delegated responsibility for oversight and management of selected large and complex contracts on behalf of the government. We expect the department to have all components of an effective contract management system over these large and complex contracts. The department confirmed to us that it applies the same processes to manage all of its large and complex contracts, including the Alberta SuperNet contracts. We expect that the department can apply any findings or learnings from this audit to all similar contracts or to those portions of the process that are required on less complex department contracts.

Why this is important to Albertans

The government makes significant investment of public funds through project contracts. Albertans need assurance that the department is continuously monitoring and realizing contract benefits and opportunities. Ineffective contract management increases the likelihood of wasted public spending and lost opportunities for improvement.

What we examined

To assess the effectiveness of the department's processes to manage the SuperNet contracts, we:

- interviewed key staff and those responsible for management and oversight of the SuperNet contracts
- examined the department's processes to oversee and manage the contracts
- examined documentation related to the SuperNet, such as agreements, risk assessments, monitoring reports, change orders, and related correspondence
- assessed the department's processes to evaluate and incorporate change management and lessons learned where required

What we found

The department does not have processes to monitor and report on the performance of the SuperNet. For some operational goals in the SuperNet contracts, the department did not define related performance measures.

Parties to the contracts are not interpreting terms and conditions consistently, so they disagree about whether contract terms and conditions are being complied with.

The department extended the SuperNet operating agreement by three years despite identified deficiencies and unmitigated risks.

What needs to be done

We recommend the Department of Service Alberta develop processes to improve its:

- measuring, monitoring, and reporting of the performance of its large and complex contracts
- monitoring and enforcement of contract compliance to ensure that the desired results of the contract are achieved
- evaluation of contracts and implement risk mitigation strategies and lessons learned where required

Consequences of not taking action

Without effective monitoring and enforcement of contract terms and conditions, the department will not achieve the desired outcomes of contracts. Ineffective contract management results in wasted time and public funds, unnecessary conflict, and risks that Albertans are not receiving the full benefits of what they paid for.

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oag.ab.ca

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