

Municipal Affairs

SUMMARY

DEPARTMENT

There are no new recommendations to the Department of Municipal Affairs in this report.

The department has implemented our October 2014 recommendation to improve compliance with its contracting policies—see below.

FINDINGS AND RECOMMENDATIONS

Matters from prior audits

Improve compliance with contracting policy—implemented

BACKGROUND

In October 2014¹ we recommended that the Department of Municipal Affairs:

- document the rationale for contracting services and selecting vendors when entering into sole-sourced contracts
- follow proper contract administration and evaluation processes
- update its contracting policies to deal with situations where one department arranges for a contractor to perform services for another department

OUR AUDIT FINDINGS

The Department of Municipal Affairs has implemented our recommendation.

Contract policy

In November 2014 the Department of Treasury Board and Finance issued the Procurement and Sole-sourcing Directive. Some of the significant changes in the new directive include:

- each department must establish a contract review committee to support the Government of Alberta's procurement accountability framework
- unless a trade exception applies, sole sourcing is limited to service contracts valued at less than \$10,000 or construction-related goods or services valued at less than \$50,000
- the deputy minister must authorize sole-sourced contracts issued under a trade exception
- each quarter, departments must publicly disclose sole-sourced service contracts valued at more than \$10,000

In April 2015 the department implemented a new procurement policy that aligns with the directive. The department also clarified responsibilities for compliance with its policy in situations where one department arranges for a contractor to perform services for another department.

¹ *Report of the Auditor General of Alberta—October 2014*, no. 10, page 62. We made this recommendation to both the Department of Executive Council and the Department of Municipal Affairs. We repeat this recommendation to the Department of Executive Council on page 53 of this report.

Rationale for contracting and selecting vendors

The department has updated its contract review form to support its new procurement policy. The form requires contract managers to document the rationale for contracting, including:

- the business need for the service
- the scope of work and deliverables
- a cost-benefit analysis of contracting activities
- justification for sole sourcing

We examined several sole-sourced contracts that the department entered into between April 1, 2015 and December 31, 2015. Some of these contracts related to the procurement of temporary staffing services. Staff within the department were not aware that the new procurement policy and processes applied to temporary staffing services. These contracts for temporary services did not follow the new policy or processes. Management identified this non-compliance in the fall of 2015 and has since documented the rationale for contracting and sole sourcing these contracts. Further, the department has provided communication to staff notifying them that procurement of temporary services falls within the scope of the new procurement policy.

For the remaining contracts tested, we found adequate support for contracting, justification for sole sourcing, documentation of vendor selection decisions, and analysis to support the reasonability of the contracted rate.

Contract administration and evaluation

The department's contract policy places responsibility for contract administration and evaluation activities with the contract manager. Contract administration includes those activities required to manage and monitor contracted services. Contract managers are required to complete a contract completion checklist at the end of each contract. For sole-sourced contracts that we tested, we found that:

- a contract was in place before the contractor provided the services
- deliverables were provided as outlined in the contract
- evaluations had been prepared for contracts that were complete at the time of our follow-up audit

OUTSTANDING RECOMMENDATIONS

DEPARTMENT

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve systems for updating the estimated disaster recovery program liability

—October 2015, no. 16, page 144

We recommended that the Department of Municipal Affairs develop and implement an improved method for updating and supporting its estimated disaster recovery program liability.

Disaster recovery program transition: Implement a transition plan—February 2016, no. 7, page 62

We recommend that the Department of Municipal Affairs implement its transition work plan to improve its disaster recovery program delivery system by:

- obtaining skilled project managers and implementing project management practices that will achieve the objectives outlined in the plan
- improving project oversight to monitor implementation of the plan to ensure desired results are achieved within an acceptable time frame

DEPARTMENT AND ENVIRONMENT AND PARKS

The following recommendation is outstanding and not yet ready for a follow-up audit:

Flood mitigation systems: Designate flood hazard area and complete floodway development regulation—March 2015, no. 12, page 80

To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that:

- the Department of Environment and Parks identify flood hazard areas for designation by the minister
- the Department of Municipal Affairs:
 - establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas
 - put in place processes to enforce the regulatory requirements

