

Why Is It Important to Undertake Good Planning Before Undertaking a Procurement Process?

Andrea Deme

This topic will be explored from within the context of federal government procurement processes, however; sound planning is an activity which would be of benefit in any field in which public (and private) sector officials may find themselves engaged. As in all departments and agencies, contracting or the procurement of goods and services is a legitimate managerial option to support program activities.

Procurement Planning is seen to be important, and even more so in large and complex, multi-year and/or multi-million dollar requirements, where people will change over time or requirements will evolve and where risk and scrutiny increases. Nevertheless it would appear that good planning is not done as often as it should be. As a key project activity, the need for planning appears to be underemphasized at the initial stages of procurement projects but the absence of it is highlighted at projects' end. Procurement Planning is supported and encouraged by project management experts and government departments (TBS, PWGSC and OAG¹ to name a few) because the procurement/resulting contract can lead to dissatisfaction and time-consuming detours when it is not done; and its absence is usually the causal factor identified when auditing the entrails as to what went wrong.

The Office of the Auditor General of Canada (OAG) has often emphasized the importance of planning within its audits – having found that planning documentation or some evidence on the file that planning took place is what is often missing in the audit review process, and usually something that is pinpointed as absent when things go wrong.

We all recall headlines of contracts gone wrong - those with amendments for billing dollar increases overtime (e.g. greater than two times the initial value), evidence of reduced contractual control (e.g. extensive subcontracting without departmental approval), frequent and uncontrolled changes in the scope or requirements of the work (i.e. scope creep), etc. The underlying message would appear to be that if only they had planned, these outcomes might have been avoided or mitigated.

One aspect of contracting that attracts negative observations in every department or agency is the use of amendments. Some amendments are necessary – requirements can and do change or evolve. The key is to anticipate, where the department can, what these changes might be or if not possible, to build a contract structure that will help the manager manage the change effectively and fairly (and the Contractor to manage that change too).²

Treasury Board's Contracting Policy allows for amendments, but a series of amendments to a single contract may suggest poor planning or management and has been used by the OAG as a flag in its sample selections for some audits. Buyers beware: all departments subject to the Contracting Policy of the Government of Canada (GoC) must submit reports on contracting activities. The risk of a public 'gotcha' by an auditing department, the media, suppliers and the public should not be the only reason for managers to plan their procurements. At the end of the day, projects and procurements should be well planned for reasons other than exposure or reputational risks; they should be well planned to

ensure the establishment of compliant and effective contract mechanisms that will ensure the provision of qualified, capable and professional results to departments.

"The analysis necessary to achieve best value should not be confined to the actual procurement process; it should begin in the planning and appraisal of alternatives and continue through the definition of requirements."

– Treasury Board (TB) Contracting Policy

There would appear to be very little policy guidance for government officials, with the potential that obligations that exist in relation to procurement planning may be easily overlooked. Perhaps good Procurement Planning is not well understood or is perceived to be a time-consuming activity with the potential to slow down the procurement process; either way, it might not be as hard as people think.

Available Resources

There are some resources available to government officials and existing guidance and guidelines for the activity of Procurement Planning within the federal government.

There are government procurement units or contract/procurement review committee processes that may be in place (to a greater or lesser extent within departments/agencies) that can support the Project Authority in planning an acquisition. These processes can be helpful, but can also be perceived as slowing the procurement process down. They also usually occur at a point in the procurement process after the 'horse has

left the barn' so to speak. Contract/Procurement Review may occur just prior to contract award, or just before an RFP is ready to go out, while still valuable as a final verification before the contract is signed, this is well after the requirement should have been appropriately planned.

The Treasury Board Procurement Review Policy³ is mandatory for any procurement in excess of \$2 Million and essential for projects costing \$20 million and up. Public Works and Government Services Canada (PWGSC) provides administrative assistance to this mandatory process. The policy's objective is "to enhance the use of procurement in support of industrial and regional development and other national objectives in a manner that is fully consistent with the government's approved procurement objectives,"⁴ and with Canada's international commitments within the World Trade Organization (WTO), the North American Free Trade Agreement (NAFTA) or other trade rights and obligations.

A major element of the interdepartmental procurement review process is the application of an evaluation framework. This framework is utilized to assess proposals in support of the procurement objectives. A Procurement Strategy Committee, chaired by PWGSC with participation from a number of departments and agencies, provides guidance to review committees on procurement objectives and criteria to be taken into account in the planning of individual procurements and the conduct of socio-economic analyses of individual or aggregated procurements, required under the evaluation framework, as early as possible in the requirements planning stage.

For procurements required to undergo these review processes, the documentation required or produced through the Committee process may provide some planning documentation. As witnessed with numerous department acquisitions, review of previous contracts and related documentation, including lessons learned and best practices, can also help planning the next go-around.

There are numerous GoC and professional sources that emphasize the importance of planning (TB, the PWGSC

Supply Manual, OAG audits/reports; and the Project Management Body of Knowledge (PMBOK) Guide⁵ and other Project Management sources).

Chapter 6 of PWGSC's Supply Manual⁶, which contains PWGSC's departmental purchasing policies and references to relevant government laws and conditions, outlines the guiding procurement strategy approval processes for all requirements \$50,000 and over. The Contract Planning and Advance Approval (CPAA) or formal Procurement Plan must be approved before the Notice of Proposed Procurement, Advance Contract Award Notice or bid solicitation request for standing offer is released. As a practical guide for managers and contracting officers, Section 6F provides a Solicitation Checklist to be used in planning and preparing a bid solicitation, by ensuring that requirements are clearly defined and policy and risk items have been considered, such as government sourcing procedures and departmental policies. Relevant information (i.e. statement of work, evaluation criteria and contractor selection, security requirements and special clauses, basis of payment, etc.) is then to be included in the bid solicitation.

These approval processes and planning tools aim to reduce the risk of a department's non-compliance with any government contracting and departmental policies, one of the problems of poor procurement planning. Departments would be forced to re-tender any such examples, a costly endeavour, both in terms of dollars and time.

The Treasury Board Secretariat's Project Management Policy⁷ requires project leaders to follow, and include in project agreements, standard project management principles, such as the guidelines set out in the Policy together with those found in the Project Management Institute's PMBOK. In accordance with the Project Management Policy, "project leaders must ensure that project managers perform adequate project planning that addresses the size, scope, complexity, risk, visibility and administrative needs of specific projects." Applicable to procurement planning, the Policy provides guidance for project management practices, and the prepara-

tion of risk assessments, Project Profile and Risk Assessments (PPRAs), supporting documentation, and progress and evaluation reports in Appendices B through F.

In addition to some coverage and overlap of the requirement/recommendation to plan procurement within TB's main Contracting Policy, on April 16, 2009, the Treasury Board Secretariat issued a revised draft of a proposed policy on managing procurement. It was not indicated when this policy may be approved and implemented.⁸

The Treasury Board, pursuant to Section 7(1) (a) of the *Financial Administration Act*, has approved a policy on government contracting that takes the form of directives and guidelines to be followed when purchasing goods, services and construction. This policy also contains the prescribed limits for contract entry that ministers must observe when entering into contracts as envisaged in Section 41 (1) of the Act.

The current Treasury Board's Contracting Policy requires that contracting be conducted in a manner that:

- Stands the test of public scrutiny in matters of prudence and probity, facilitate access, encourage competition, and reflect fairness in the spending of public funds;
- Ensures the pre-eminence of operational requirements;
- Supports long term industrial and regional development and other appropriate objectives including aboriginal economic development; and
- Complies with the government's obligations under the trade agreements.

The best way to ensure a Project Authority's acquisition meets the standards laid out by the Treasury Board is through initial, and formal, project/procurement planning that utilizes effective tools and guidelines that have considered all applicable policies, authorities and legislation. Ironically, poor procurement planning has been identified as a cause of the breakdown in any one of the above requirements during, or more typically at the end of, the procurement process.⁹

Despite these helpful resources, in the guidance that does exist, Procurement Planning is 'generally' not addressed in a

degree of practical detail and those who would / should plan (e.g. the Project Authority) may not know what they should do.

Tools and Methods

Checklists are very useful in highlighting policy and procedural issues that might be missed when a contracting process is initiated. For example, the Procurement, Contracting and Asset Management Services unit within the Shared Services Organization of Natural Resources Canada (NRCAN) has developed a series of checklists that are used in the contracting process, including a "Supplementary Checklist for Service Contracts" for contracts valued over \$5K. This document assists in the planning of the work and highlights several policy considerations relating to contracting policies. The use of these checklists complements the review methodology suggested by the Treasury Board Secretariat in Section 11.1 of the current Contracting Policy. NRCAN also has internal service standards for its pro-

urement office and, as a result of the Department's good practices, tends to fair well in audits, demonstrating appropriate mechanisms in place to honour these existing requirements and other procurement policies.

Procurement Planning templates have been identified by client departments as helpful for the following reasons: completeness of the file; facilitating planning and documentation of planning decisions; facilitation of planning discussions and decision-making between Project Authority and Contracting Authority; and facilitation of Procurement Review Board processes.

The purpose of any Procurement Planning template should be:

- to present a factual summary and analysis of the Project Authority's defined contractual requirements, for review and validation by the Project Authority and the Contracting Authority.
- based on the defined contractual requirement (as per above), to recommend a procurement strategy to the

Project Authority and the Contracting Authority aimed at ensuring the department complies with all of its obligations and responsibilities as prescribed within various Government Policies (e.g. the Government Contracts Regulations); and

- based on the required steps associated with the recommended procurement strategy (as per above), to establish a project plan, schedule and work breakdown structure identifying the steps associated with completing the RFP exercise, the parties responsible for completing each step and the planned timeline for completion.

While there may be no GoC template for thorough and effective procurement planning, RFP Solutions Inc. has developed an Organizational Procurement Strategy and Planning worksheet, based on best of breed examples collected from across the broader public sector; that it has used numerous times to complete departmental procurement plans. The purpose and intent of this template is to understand and document a department's



Samson & Associés

- ▲ Management Consulting
- ▲ Internal Audit and Review
- ▲ Training, Facilitation and Learning Solutions
- ▲ Grants & Contributions
- ▲ Accounting and Tax Services
- ▲ Financial Services
- ▲ Program Evaluation (RMAF/RBAF)
- ▲ Human Resources

Visit our new web site at:
<http://www.samson.ca>

Contact us:
85 Victoria Street, Gatineau, QC J8X 2A3
(819) 772-0044, ext. 224 samson@samson.ca

Since 1990, more than 20 years of services

Our Management Team

PRESIDENT, *Senior Partner* – Pierre Samson, M.Sc., FCGA
ASSOCIATE, *Facilitation Training Services and Learning Solutions* – Daniel St-Onge, B.Comm
ASSOCIATE, *Financial Services* – Daniel Chartron, CMA
ASSOCIATE, *Grants and Contributions* – Mark Dillon, CA and David Cleary, CA
ASSOCIATE, *Accounting and Tax Services* – Pierre Bédard, CGA
DIRECTOR, *Audit Services* – Pierre Samson, M.Sc., FCGA
DIRECTOR, *Client Services and Human Resources* – Sylvie Samson, CRHA

Our Consultants

Suzanne Alary, CGA Pierre Beland, CGA Robert Berniquez, CGA Pauline Bismarck, CMA Pierre Bourville, CGA David Cleary, CA Gilles Chartron, B. Adm., M.B.A. Mark Dillon, CA Serge Dubé, CGA Albert Cass, M.A., BAA Aline Dussan, CA Robert Dumasoy, CA Luc Ducharme, BAA, CGA Christian Dugas, CA Michèle Dupré, B. Sc., CGA Jean-Paul Dupont, CGA, CMA	Monique Eady, MBA, B.Comm Mathieu Fady, CA, CPA, CIA Robert Frappier, CA Martin Glazer, CA Jean-Pierre Godbout, BAA, CISA Pamela Groulx, CMA Guy Harte, CGA Roger Ken, Ph.D., CGA Jean-Pierre Labille, CGA Robert Lalonde, M.Sc. Com., FCGA Pierre Lamhiet, BBA Jimena Martinez, CA Ron McJannet, B. Comm., CGA Gregory Milanovich, BA Barry McIvor, CGA	Julia Mitchell, CA Marcel Nadeau, B.Soc.Sc., CGA Ted Penlta, BA Louisa Perron, CMA, MBA François Pilon, CGA Jerry Robbins, B.Sc., M.Ed. David Rimbrough, BAA Pierre Samson, M.Sc., FCGA Sylvie Samson, BAA, CHRA Gérard Séguin, BAA, MPA Marc Seguin, MPA, CGA Kathleen Simozau, B.Comm Petricé Tiksonni, BAA, M.Sc. Yves Talbot, B.Comm. Audrey Vasson, B.A., D.E.S.S.
--	--	---

We are proud to provide quality services in the two official languages to both private and public sectors in Canada and abroad. Over the last few decades, Samson & Associés management experts have gained a reputation for excellence and superior-quality work.

requirements and objectives for the procurement activity by gaining a thorough understanding of the program's mandate; operating environment, including opportunities and limitations; the legislative, regulatory and policy framework under which the department works; and the business objectives, including historical context and key drivers behind the acquisition.

RFP Solutions would be happy to share its Procurement Planning template to interested readers who contact us at info@rfpsolutions.ca.

Departments should also consider implementing an Organization-wide Procurement Planning exercise. Several departments and agencies have implemented integrated procurement planning methods, based on the use of available budget forecasts, operational plans and regularly scheduled planning sessions with senior program managers. More rigorous procurement planning would enable departments to better anticipate upcoming and/or recurring contract requirements. With advance knowledge of and greater understanding of these requirements, departments would be in a better position to take anticipatory actions aimed at ensuring compliance, avoiding 11th hour contracting “emergencies” and maximizing contracting service delivery to internal clients.

It may also be prudent for departments to review their current procurement document templates to determine if there are opportunities for further improvement and standardization. The use of standardized procurement document templates would better enable departments to increase their procurement document processing (i.e. turn-around) speed and efficiency, thus meeting or exceeding service level agreement objectives and leading to increased client satisfaction. This initiative can also lead to enhanced document quality and the reduction of unnecessary procurement risks caused by avoidable document creation and assembly errors.

The “WHY” of Good Planning

Good planning before undertaking a procurement process (and documentation of these planning efforts) is a key

contributor to project success. The tips and approaches to improving planning activities (and by extension project outcomes) based on implemented best practices and templates both already in use within a number of departments/agencies and a few measures developed in house are aimed at assisting Program Managers and Project Authorities in their efforts to achieve improved results with respect to mitigation of identified contracting risks, attainment of best value, and meeting the contracting service delivery expectations of internal department program area clients. In addition, improved results can be expected in the following:

1. Compliance with Government Contracting Policies - Once a decision is made to contract for a good or service, the provisions of the Treasury Board Contracting Policy apply as does the Government Contracts Regulations, Comprehensive Land Claims Agreements, applicable trade agreements and many other legislative requirements that affect operations and the procurement of every government department. Also, there are many other policies that “intrude” upon the contracting process, all related to elements of a project other than the actual acquisition of a good or service. These other policies reflect one of the purposes of the Contracting Policy to, “support long-term industrial and regional development and other appropriate national objectives. (Section 2 (c) of the Treasury Board Contracting Policy). This situation presents contracting authorities with a “maze” of conditions that must be observed when buying a good or service; and
2. The Utilization of Modern Management practices - In 2005, the Treasury Board introduced a modern management reform initiative known as the “TBS Management Accountability Framework” (MAF). It was developed to provide deputy heads and all public service managers with a list of expectations that reflect the different elements of current management. One of the elements of the MAF dealt with the effective management of procurement. This goal is further defined as,

“Efficient, and economical procurement that contributes to program delivery and achieving government objectives...” The approach to be used is a department-wide procurement governance and oversight structure that demonstrates links between procurement plans and activities and departmental priorities; and management controls and processes. And an approach that has the ability to satisfy operational requirements through procurement by having qualified staff and training; procurement information systems and processes; and results, review and continuous improvement.

Overall, the primary objective of good Procurement Planning is to assist public service managers in formulating and executing a procurement strategy that will:

- Identify all stakeholders in the acquisition of the required services and/or goods, who then may be appropriately consulted, and any legal obligations coupled with stakeholders ensuring compliance;
- Determine a total value of the anticipated cost of the requirement, which includes all option years to extend the term of the contract mechanism, all expenses (e.g. travel, administrative, etc.) and applicable taxes. This valuation will determine if trade agreements or Procurement Strategy for Aboriginal Business (PSAB) apply as well the contracting approach that will be followed;
- Examine other sourcing options that may facilitate an expedient and compliant procurement process, such as consolidated purchasing through the existence of national/regional standing offers or supply arrangements;
- Demonstrate links between procurement plans and activities and departmental priorities, and ensure complete contract files for demonstrated compliance and auditing purposes;
- Facilitate continuous improvement to internal planning tools and methods leading to standardized, compliant and efficient processes in future acquisitions, increased contracting knowledge base of program managers and affiliated Responsibility Centre Managers and contracting personnel, and

improved contract administration and monitoring activities; and

- Improve information sharing and understanding of the effectiveness of procurement planning practices and controls, both within departments and across government.

The key outcome for such good planning, and what makes it so important before undertaking a procurement process, is the establishment of effective contract mechanisms that balance operational effectiveness (through the provision of qualified, capable and professional results to departments) with compliance (fully respecting all of a department's Contracting Policy obligations), while doing so in a manner that provided for best value and the responsible expenditure of public funds.

References

1. Treasury Board of Canada Secretariat (<http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14494§ion=text#chaIndex>), Public Works and Government Services Canada (<http://www.tpsgc-pwgsc.gc.ca/app-acq/dpa-pdp-eng.html>) and the Office of the Auditor General of Canada (http://www.oag-bvg.gc.ca/internet/English/parl_lpt_e_1719.html)
2. Some amendments may be 'misnomers' for other things – date extensions to exercise option years, addition of options to the scope that were already within the contract, changes of names, etc. These things are often actioned as 'amendments' and filed as such in departmental reporting systems, but are not an amendment in a surprise "scope creep" kind of way.
3. It should be noted that ever since the trade agreements and the Comprehensive Land Claims Agreements came into effect, the policy has to take second place to the respective trade

agreement(s) and the Claims requirements. However, it is very much applicable when something falls outside of the trade agreements and land claims.

4. <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12074§ion=text>
5. The English-language *PMBOK* (Project Management Body of Knowledge) *Guide* - Fourth Edition was released on December 31, 2008 through the Project Management Institute (<http://www.pmi.org/Pages/default.aspx>).
6. <http://www.tpsgc-pwgsc.gc.ca/app-acq/ga-sm/chapitre06-chapter06-eng.html#contractapproval>
7. <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12077§ion=text#cha1>
8. Report of the Review of the Draft Treasury Board Policy on Managing Procurement (<http://www.tbs-sct.gc.ca/report/orp/2007/mp-ga/mp-ga-eng.asp>)
9. See OAG Reports and Publications (http://www.oag-bvg.gc.ca/internet/English/rp_fs_e_44.html)

About the Author

Andrea Deme is a Senior Analyst with RFP SOLUTIONS (www.rfpsolutions.ca), an Ottawa-based firm that works exclusively for government agencies to assist in the development of complex and/or urgent Requests-for-Proposals (RFPs).



SYSTEM SOLUTIONS FOR SMALL TO MID-SIZED DEPARTMENTS AND AGENCIES

GX Solutions available as stand alone or fully integrated, through Government of Canada DISO # E80ET-20002/002/ET

Ottawa: (613) 230-3833  Victoria: (250) 995-3071

