

Procurement-Who Does it Well?

February 26th, 2015; 0800-1145h;
Sutton Place Hotel, Edmonton Alberta

Overview

Canadian governments (federal, provincial, municipal and agencies) collectively procure billions each year. Efficient and effective procurement is critical to the proper functioning of government operations and central to a modern economy.

Which organizations have mastered their procurement processes; balancing efficiency and effectiveness with the necessary controls and oversight? This professional development-session will consider this challenge from many perspectives; procurement professionals, public servants (who need to purchase goods and services), the financial manager, system providers, and the taxpayer who ultimately pays for the purchase. This is a joint presentation by FMI and PwC Canada - a global leader in supply chain and procurement.

Your Hosts this Morning

FMI Edmonton Chapter (www.fmi.ca/chapters/edmonton)

Serving public sector financial officers, administrators and managers with financial responsibilities, the Financial Management Institute of Canada (FMI) provides this forum, offering its members excellent services and programs in all areas of government financial management. One of 14 coast-to-coast chapters, the Edmonton FMI Chapter provides an opportunity for networking and professional exchange within the financial community, and for professional development within a local context.

PwC Canada (www.pwc.com/ca/en)

PwC is the world's largest professional services organization. Drawing on the knowledge and skills of more than 180,000 people in 158 countries, PwC builds relationships by providing services based on quality and integrity. PwC provides industry-focused assurance, consulting and tax services for public, private and government clients in all markets. In Canada PwC has more than 5,700 partners and staff, and offices in 25 locations.

PwC's Procurement and Supply Chain expertise is built on our team of industry and functional specialists who bring hands-on experience working across all industries including public sector. PwC supports clients in all aspects of the procurement and supply chain excellence including strategic function expertise, operating model and organization design, talent management, process development and improvement and technology enablement of the procurement and supply chain function.

The Program to Day

Program at a Glance

0730-0825h: Registration, networking and breakfast

0825-0835h: Introductions and welcome from FMI and PwC

0835-1145h: Panelist presentations and questions

Context for this Morning

Government is Big Business

Each month, Canadian Governments (federal, provincial, municipal and aboriginal) spend more than \$110 billion. On a consolidated basis, the province of Alberta purchased over \$3.1 billion in materials and supplies for the fiscal year ending March 2014. Governments need goods and services to provide the services expected within a modern economy. These purchases can range from pencils, sophisticated healthcare equipment, jet fighters and consulting or construction services. Governments are not alone in this challenge; private industry also needs to ask how best to procure goods and services to build pipelines, extract resources and keep our retail customers coming back. Public administration or private sector, the question remains—who does procurement well?

Alberta Government

Provincial government procurement is accomplished directly through Government of Alberta departments or by agencies, boards and commissions operating within a particular ministry. By way of a case study, the ministry of Health purchased \$4.9 billion while the department of Health's total purchases were \$116 million for the fiscal year ending March 31, 2014 [Health's Annual Report: Schedule 3, pages 63 and 91 respectively]. The lion share of the ministry's procurement activities were accomplished by Alberta Health Services and their own procurement processes. Government departments are authorized to purchase goods under \$10,000 and their services. Service Alberta's Procurement Services purchases goods over \$10,000 on behalf of departments. Alberta Infrastructure and Alberta Transportation procures construction and construction-related services, tenders for property management services, consulting services, and leased space.

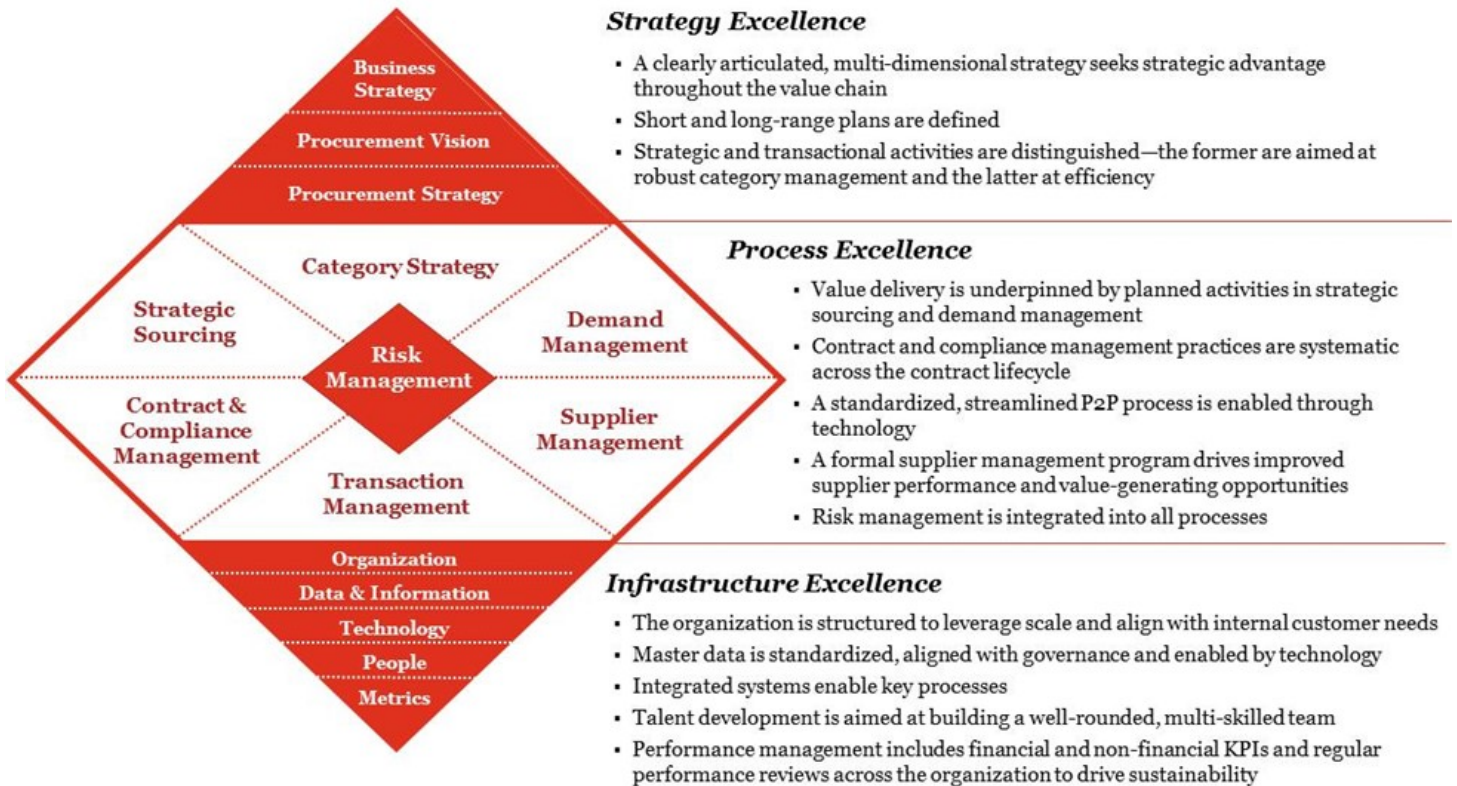
City of Edmonton

The City of Edmonton uses a variety of competitive bidding processes to acquire a wide range of goods, services and construction needed to support the effective operation of the municipality. The city's procurement processes follow best practices for public sector procurement - and are in accordance with the Agreement on Internal Trade, Annex 502.4 (AIT), and the New West Partnership Trade Agreement (NWPTA). The Alberta Purchasing Connection (APC) is the official online source of City of Edmonton procurement opportunities for all suppliers and contractors: Alberta Purchasing Connection Construction opportunities, are posted on the Edmonton Construction Association's COOLNet: The Edmonton Construction Association.

Crib Notes for the Future of Procurement

PwC is a world leader in procurement and supply chain management and as part of this role has a chance to see both leading practice and opportunities for improvement across procurement and supply chain functions in public and private sector. Highlights of this knowledge include the following observations from PwC's world-wide practice.

The procurement and supply chain functions of all organizations continue to evolve from a tactically-focused cost reduction function to a strategic enabling process. They do so by looking across all dimensions of strategy, process and infrastructure as the following diagram illustrates.



Areas of particular strategic focus are procurement excellence, strategic spend management, complex procurement and post-contract award management. Procurement excellence is focused on maximizing the efficiency and effectiveness of procurement operations while minimizing risk. Strategic spend management is about defining requirements through the eye of the business stakeholder and then maximizing value from the supply markets and suppliers. Complex procurement continues to be of increasing concern as technology rapidly advances and the function needs to support the procurement of large-scale, business critical services, systems and increasingly complex capital contracts. And lastly, on an ongoing basis, managing supplier performance and risk while maximizing the value delivered over the life of the contract is a key focus through post contract award management.

Crib Notes for the Future of Procurement, continued

Today, across Canada, all levels of public sector are reviewing their procurement functions to determine how they can better support delivering transparent and responsible procurement while increasing the strategic nature of the function.

Key guiding principles for these public sector bodies are securing better value for taxpayer dollars, improving accountability and transparency, adopting leading practices and enabling them with the requisite technology to sustain value delivered. At the federal and provincial level the common challenge continues to be that a government-wide, cross ministry, strategic approach to Procurement does not exist, thereby inhibiting collaboration and strategic demand planning and ultimately impacting overall value delivery.

Another common issue faced by all public sector organizations is the effective introduction of leading practice procurement techniques, such as Category Management principles or complex procurement techniques, where skill sets are not available to enable these techniques while maintaining compliance with requisite legislation. All of these issues are underpinned by a growing need to mature the technology supporting strategic procurement and supply chain functions and in doing so having a solid business case that demonstrates a tangible return on investment.

Did you Know?

The terms used in the procurement process vary across organizations. Be sure to check with your procurement experts the specific definitions used in your organization. Here are some definitions from different sources:

Government of Canada Supply Manual (edited):

Request for Proposal (RFP) is a form of bid solicitation used when the bidder selection is based on best value rather than on price alone. A RFP should be used when suppliers are invited to propose a solution to a problem, requirement or objective, and the selection of the contractor is based on the effectiveness of the proposed solution.

Request for Information (RFI) or Letter of Interest (LOI) is used when detailed information and feedback are required from suppliers. Such requests might outline a potential requirement and request suppliers to describe their ability to satisfy the requirement and to provide ideas and suggestions on how the eventual solicitation might be structured. Responses are used to assist to finalizing plans for future procurement activities.

Request for Quotation (RFQ) is used to solicit bids for commercial goods and/or services with low value from one or more suppliers. The contract requirement must be well defined such that bids may be evaluated and compared on the basis of price and delivery. A RFQ may not contain all of the contract terms and conditions.

Standing offer (SO) an offer from a supplier that allows the purchase goods and/or services when requested, during a specific period of time, through the use of a call-up process which incorporates the conditions and pricing of the standing offer. A standing offer is not a contract. A separate contract is formed each time a call-up for the provision of goods and/or services is made against a standing offer.

www.negotiations.com/articles/procurement-terms/

- RFI – Request for Information: An open enquiry that spans the market seeking broad data and understanding.
- RFQ – Request for Quotation: An opportunity for potential suppliers to competitively cost the final chosen solution(s).
- RFT – Request for Tender: An opportunity for potential suppliers to submit an offer to supply goods or services against a detailed tender.
- RFP – Request for Proposal: Sometimes based on a prior RFI; a business requirements-based request for specific solutions to the sourcing problem.

Your Speakers for this Morning



Michelle Michelle Gronning, Director, PwC Operations Consulting and Western Canada Procurement and Supply Chain Leader. Michelle is a Director in PwC's National Procurement and Supply Chain practice and is based out of the Edmonton PwC office. She has over 17 years of broad-ranging experience across industry and consulting with a specialized focus on supporting organizations transform their procurement and supply chain functions. She has led multiple large scale procurement and supply chain transformations programs and has acted as the chair of the senior executive steering teams and councils overseeing the programs. Her procurement and supply chain efficiency and effectiveness reviews and program implementations cover all aspects required for effective transformation – from strategy to process and technology.

To date her programs have identified and delivered on savings in excess of \$1B in tangible bottom line results while driving efficiency and effectiveness by delivering on the requisite culture change required to deliver the benefits and sustain the results. Michelle supports clients in all industries and has a number of public sector clients in Western Canada.

Bill Moulton is currently leading Service Alberta's 'Procurement Modernization Project'. Working collaboratively with the 11 procurement offices across the GoA, the Procurement Modernization Project is the implementation of 12 recommendations from the GoA Procurement Results-Based Budgeting review which was completed December, 2013.



The primary focus of these Results-Based Budgeting recommendations is to create a more consistent, efficient and effective procurement approach across the organization while producing savings by contracting some services which are commonly required across the GoA in a strategic manner.

Bill has worked in various procurement roles with the GoA since 2000. From 1980 – 2000 Bill worked in a variety of supply management roles at the University of Alberta. Over his career, he has gained considerable experience contracting for a wide ranges of goods, services and construction.

To Our Panel, Thank You!

All of our panelists have volunteered to present their experience, skills and knowledge this morning. Please take a moment this morning to say thank you to our panel and moderator.

Your Speakers for this Morning, continued



Dan Lajeunesse is the Manager of the Corporate Procurement and Supply Services Branch for the City of Edmonton. In this role, Mr. Lajeunesse is responsible for providing leadership to the city's Procurement and Supply Chain Management functions that support all city departments and the Edmonton Police Service.

This includes managing the city's centralized procurement responsible for an more than \$1 Billion in tendering, contracting and purchasing for a wide range of goods, services and construction. In addition, Mr. Lajeunesse is accountable for a significant warehousing & distribution operation that supports the day to day operations of city departments and business services including mail distribution, the city's digital print centre and a wide range of hired equipment services.

Prior to joining the city, Dan worked in progressively responsible positions in sales, operations and purchasing in the private and not-for-profit sectors.

Dan obtained his Supply Chain Management Professional designation in 1998 and a Masters of Business Administration degree through the University of Alberta in 2005.

Moderate Panel - Implementing a Contract Review Committee

A Government of Alberta Treasury Board directive requires that all departments have in place a contract review committee 'to support the procurement accountability framework'. This framework in turn will: 'support consistent goods and services procurement practices, including those in respect of Construction, across all departments, that reflect best practices and foster accountability, fairness, effectiveness, and efficiency'.

Although panel is made up of provincial government members, contract review processes are not new to the public service. This moderate panel is composed of the following individuals:

- Jean McClellan (Moderator), PwC Canada
- Bill Moulton, Executive Director, Service Alberta— Procurement Modernization Project'
- Darrell Dancause, Senior Financial Officer, Alberta Innovation and Advanced Education
- Chris Mochulski, Director of Corporate Engagement and Enterprise Risk Management , Alberta Treasury Board and Finance.

Did you Know?

The government of Canada's Supply Manual is available online? Its purpose is to: *The Supply Manual, contains policies and procedures, as well as references to acts and directives, for the procurement of goods, services and construction. The Manual is intended primarily for the use of Public Works and Government Services Canada (PWGSC) contracting officers acting in PWGSC's capacity as a common services provider, to conduct procurements on behalf of other organizations.*

<https://buyandsell.gc.ca/policy-and-guidelines/supply-manual>

Moderated Panel - Implementing a Contract Review Committee



Darrell Dancause is the Senior Financial Officer and Executive Director for Corporate Services, Alberta Innovation and Advanced Education. Darrell has over 14 years of experience within the Government of Alberta in the areas of finance and administration. Prior to working with the Alberta Government Darrell worked in various positions in the retail and consulting sectors.

Darrell has a B.Comm degree from the University of Alberta and a Certified Management Accountant designation.



Chris Mochulski is the Director of Corporate Engagement and Enterprise Risk Management for the Government of Alberta and reports to the Provincial Controller, Darwin Bozek. In this capacity provides risk reporting to the Controller and Deputy Ministers and co-ordinates the risk efforts amongst all government departments with a focus on business, audit, financial, IT, and human resource risk. Chris' perspective and contribution to this panel will be from a risk management, Treasury Board and corporate controller perspective.

Chris obtained his Bachelor of Arts and Commerce from the University of Alberta and is a Chartered Accountant. Chris' background in risk management was honed with 15 years of experience at Alberta Investment Management Corporation where he was the Chief Compliance Officer and Lead Internal Auditor in addition to being the organization's inaugural Controller.

Value to our FMI Members

Public servants will leave the presentation with a better awareness of the challenges and common solutions available to improve how procurement is done in public sector organizations. This training session will be of interest to procurement professionals, financial managers and anyone who needs to buy goods or services.

For members who require professional development credits, this is a 3-hour presentation. This program, the subsequent notes and your registration receipt are typically enough for your professional association. If you require a signature of attendance, request one from the registration table

Your Moderator for This Morning

Jean

McClellan has been with PwC Canada since 1995 and is a Partner in the Consulting practice. Jean leads the public sector Practice for Alberta and the Education Practice for Western Canada where she works with multidisciplinary teams to solve complex issues for clients. In the past, Jean held various leadership positions within PwC such as the People and Change lead for Western Canada, the Valuation, Forensics and Disputes Lead for Manitoba and the Performance Improvement lead for Manitoba. Jean is currently focused solely on the public sector, but has served public and private companies in the energy, agriculture, service, manufacturing and financial services sectors over her career.



For close to a decade, Jean has practiced in the areas of program and change management, financial and operational effectiveness and service transformation. Prior to that, Jean's practice areas included valuation and fairness opinions, litigation support services, insurance claim services, economic and financial analysis, and corporate transaction support. She has been involved with numerous engagements undertaken for the purposes of litigation, arbitration and regulatory purposes.



In addition to having a Bachelor of Commerce (Hons) degree and a Masters of Accounting degree from the University of Manitoba, Jean also holds her Chartered Accounting designation, her Chartered Business Valuators designation, her Certified Public Accountant (USA) designation and her Prosci Change Management Certification. She has been recognized with the Early Achievement Award from the Institute of Chartered Accountants of Manitoba and is a past Chair of the Manitoba Chambers of Commerce.

Your Host This Morning



Peter

Neuschaefer has a Business Diploma from NAIT and just recently retired from his career with the City of Edmonton after 42 and a half years of service. Peter is the local FMI Chapter President and has been actively involved in FMI in the Vice-President role for the last 3 years. In addition to his duties with FMI Peter is also actively involved in various charitable organizations in Edmonton.

Peter will provide greetings from the Edmonton Chapter Board (including Jeanette Stead, pictured with Peter above). Greetings will include the benefits of being a FMI member, our upcoming programming year and FMI national events coming up.

The Program

This morning's program will start with a presentation from Michelle (PwC Canada) on 'who is doing procurement well and what does the future hold for procurement in the public sector in the near to medium-term future. Bill will follow Michelle and will describe his challenges and experiences in modernizing the province of Alberta's procurement functions.

The two breaks will allow you to refresh your coffee and meet fellow financial managers from the public service across all three levels of government (municipal, provincial and federal as well as agencies). If you are outgoing, introduce yourself to a few strangers. If you are a bit on the shy side, this is your chance to network with people who share your profession (and likely your passions).

Dan will follow the break and will provide a glimpse into the particular challenges faced by municipalities in field of procurement. As Dan is winding up, we are pleased to include a moderated panel on the challenges of setting up a contract review committee. Although there is a provincial focus, this panel will be of interest to anyone who needs a governance mechanism to monitor contracts.

After our second break, all of our speakers and panelists will return to the stage for an open mic session. This is your chance to asks this knowledgeable group of individuals question on procurement. For those who are a bit shy, be sure to use our 'text-a-question' feature.

Detailed Agenda

0730-0825h: Registration, networking and breakfast

0830-0835h: Opening, welcome from FMI and PWC

0840-0910h: Procurement (Michelle Gronning)

0910-0925h: Break and Networking

0925-0945h: Alberta Procurement (Bill Moulton)

0945-1005h: City of Edmonton Procurement (Dan Lajeunesse)

1005-1020h: Break and Networking

1020-1050h: Moderated Panel, Implementing a Contract Review Committee in government

1050-1125h: Panel discussions and questions

1130h: Closing remarks, thank you to our speakers and to the audience for attending

Times and order of presentations are approximate and may be changed without notice.

Text a Question...

Do want to ask a question but are a bit shy speaking in public? Why not text us your question at the number on your table? We prefer that you ask your question at one of the microphones; but, as time permits, we will ask a Text-Question on your behalf.

Please note that the organizers reserve the right to edit questions for brevity, clarity and good taste.

The Government of Canada's Procurement Best Practices

Extracted and modified from: <https://buyandsell.gc.ca/policy-and-guidelines/supply-manual/section/1#section-1.10.10>

- A. **Ensure Integrity:** Contracting officers must ensure the integrity of the procurement process. If there is any doubt, the contracting officer should consider suspending the procurement process
- B. **Get Involved Early:** Conduct a needs identification and requirement definition, procurement strategy development, and drafting of solicitation documents before a requisition is started.
- C. **Consult with Peers:** A peer's experience and referring to previous files can also be instructive, particularly for estimating things like business volume under a new contract.
- D. **Liaise with the Client:** Keep clients informed and involved to understand departmental needs as well as specific technical requirements.
- E. **Use Specialists:** Seek advice from legal services, policy advisors, Access to Information and Privacy officers, quality control officers, cost analysts and risk management advisors.
- F. **Communicate Effectively:** Clear in communications, e.g. written instructions accompanying bid solicitation.
- G. **Maintain Confidentiality:** Treat all information of a confidential or personal nature, including bid information, in a secure and confidential manner. This ensures the integrity of the contracting process, and protects the interests of suppliers and clients.
- H. **Obtain Confirmation:** Obtain written confirmation of significant information, agreements and discussions, such as confirmation of an unusually low price, or extension of a bid validity period by the bidder.
- I. **Select the Appropriate Contracting Method:** Depending on which commodity is being procured, the appropriate contracting method may be a standing offer, a supply arrangement, a government-wide or multi-departmental contract, or a normal contract. Some commodities are available via mandatory standing offers, and these must be used unless there is a valid reason to deviate.
- J. **Commodity Knowledge:** Develop an understanding of a commodity's industry, the market conditions, and the pertinent factors of each commodity, which then affects the choices. Clients should also use their understanding of the commodity when defining their technical requirements and scope. Keep informed about such things as the proposed contractor's performance history, financial situation and practices, before recommending a contract award. It also means keeping up to date with a contractor during the performance of a contract.
- K. **Life Cycle Management of Assets Life Cycle Management of Assets (LCMA):** is an integrated approach to materiel management that looks at the process as a complete system rather than separate activities. Procurement and disposal are a part of this process
- L. **Maintain Records:** Keep files up to date for reasons of good management, access to information requests as well as for audit purposes. Current files should be kept up to date for anyone who may have to consult the file or assume responsibility for it at a later date.
- M. **Use Standard Documents:** For every solicitation process, whether for competitive or non-competitive requirements, use standard procurement templates and clauses.

FMI 2014-15 Programming Year

Did you like what you saw this morning? The local chapter of FMI are dedicated to bringing exceptional programming of interest to our members in the Edmonton area.

Date	Location/Name	Description (Working)
May 28, 2015	Fraud Awareness in the Public Sector Sutton Place Hotel	Internal controls are central to the fiduciary responsibilities of financial professionals and managers in the public service. How good are your controls, is passing an audit enough and can you have too much control? These are the questions that a panel of experts will discuss including examples from the real world of auditing.
March 12, 2015	FMI - 2015-2016 Program Planning Event	Did you enjoy today's event? Would you like to shape what type of programming the Edmonton Chapter brings to its FMI members at our annual planning event? Please email us at albertafmil@gmail.com For some idea of our ideas, be sure to visit our 'idea-locker' for future events: www.fmi.ca/chapters/edmonton/upcoming-events
September 2015 (Proposed)	Public Sector Budget, Part I: Who Loves their Budget System	Budgets are central to a public service organization. In many ways they are as important or perhaps more important than even the financial statements. This is particularly so in organizations using the Westminster model of budget approval (e.g. the provincial or federal governments). Given their importance, who does budgeting well? Who has clients that love the system and who can produce reliable and forecasts quickly? This session will explore these questions and opportunities from four lens, the system, municipal, provincial and federal perspectives. [This is an proposed event, date and program focus may change.]
November 2015 (Proposed)	Public Service Renewal - Three Years Later	On November 1, 2012, IPAC-Edmonton and FMI held a joint conference to hear about initiatives to renew the public sector from its senior leaders. Three years on, what has changed and is renewal still a priority for governments? What are the specific risks for the provision of financial, accounting or economic services? This conference will revisit 2012 and look forward another three years in the context of public sector renewal. [This is an proposed event, date and program focus may change.]

Missed a FMI Event?

We prepare post-professional development-session notes for our members on select events. These are available from the following links:

All past events: www.fmi.ca/chapters/edmonton/past-events

- Retirement Planning in the Public Service: www.fmi.ca/media/552685/FMI-2014-11-26-Retirement-Notes.pdf
- Alberta's Economic Horizons: www.fmi.ca/media/496979/FMI-2014-09-11-Post-Notes-Economics.pdf
- The Public Sector P in P3s: www.fmi.ca/media/423608/2014-05-21_fmi-p3postnotes.pdf

PwC Upcoming Events

Date	Location/Name	Description (Working)
March 12, 2015	Sustainable Cost Reduction	Organizations are justifiably anxious to reduce costs but the problem with many cost-cutting measures is that they are put into practice without considering their sustainability. Often, cost savings achieved in the short term eventually leak away. The failed cost reduction initiatives wind up damaging infrastructure and culture, leaving organizations struggling well after the recession ends. Faced with a protracted period of sluggish revenue, organizations are now asking, "What has to fundamentally change so our cost reduction efforts work today as well as in the future?" This session will cover how we can assist you to reduce costs in the short term that will support you to sustain growth in the long term.

Golfing, Who Wants to Go!

One paid attendee at this training session will be entered to win two spots to the '2015 Servus Spirit of Caring Golf Classic' on June 11, 2015 - a \$450 value! In support of the Good Samaritan Society, PwC is a long time sponsor of this event and is pleased to offer two of its foursome spots at the beautiful Quarry Golf Club. This golf event includes lunch, golf, a BBQ lunch, cocktail reception and dinner. For more details (or to buy your tickets, just in case you don't win) visit: <https://www.gss.org/events/fundraisers/2015-servus-spirit-of-caring-golf-classic/>

For Your Notes