

Consultant Services Review

Recommendation

That the November 9, 2018, Office of the City Auditor report CR_6549, be received for information.

Executive Summary

This report presents the results of the Consultant Services Review.

Report

The City has spent an estimated \$616 million on consulting services from 2013-2017. Almost \$158 million in expenses for consultant services contracts was miscoded by the type of consultant contract in the corporate financial system. An additional \$87 million of consultant services were miscoded in the system as something other than consulting. As a result, financial reporting related to the City's consulting expenses has been inaccurate by \$245 million in total over the last five years. We have recommended that the City develop and implement a training program for staff to improve data accuracy.

The increase in lower-risk procurement methods (tendering and limited competition) and the decrease in higher-risk procurement methods (sole and single source) is a positive change for the City. Continuing with this shift will help the City to receive better value from its consulting contracts and ensure that the principles of public procurement are applied.

The frequent use of change orders, and the increased costs associated with them, raises concerns around the adequacy of controls. Consultant costs increased 72 percent from their initial contract values due to change orders. Some change orders are expected and justified. However, the use of change orders should be appropriately controlled to ensure that the City abides by public procurement principles and manages costs effectively. We have recommended that the City improve business area scope of work preparation and estimation relating to consulting services in order to reduce the volume and value of unplanned change orders.

Consultant evaluations are not being used consistently in the organization. This increases the risk that consultants that provided poor value may continue to receive City contracts and the City may not be receiving best value for money. An electronic

procurement system is being implemented that is expected to incorporate a consultant evaluation process.

Policy

Bylaw 16097, Audit Committee Bylaw, Section 14(d) states that, "Committee will review all reports from the City Auditor dealing with completed audit projects."

Public Engagement

Public engagement was not required for this report.

Attachment

1. City of Edmonton Office of the City Auditor Consultant Services Review