

A blue-tinted photograph of the Edmonton skyline, featuring several high-rise buildings against a clear sky. The image is used as a background for the top half of the slide.

Consulting Services Review

Administration Response

A light-colored, semi-transparent photograph of a river flowing through a city, with trees and buildings visible in the background. This image serves as the background for the bottom half of the slide.

November 9, 2018

Purpose

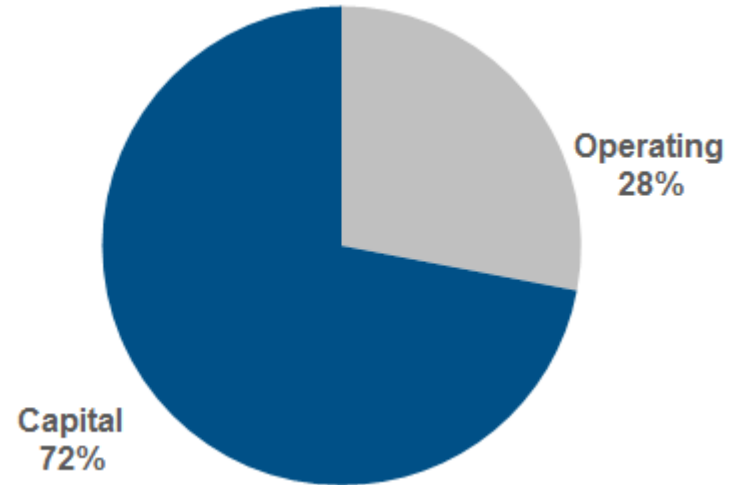
1.	What did the Auditor observe?
2.	Why do we use Consultants?
3.	How do we manage change orders?
4.	How do we code consulting services?
5.	What are we doing differently?
6.	How will we address the Auditor's recommendations?

1. What did the Auditor observe?

Incorrect coding of consulting expenses
Increase in use of lower-risk procurement methods
Frequent use of change orders

2. Why do we use Consultants?

- Capital funded projects have a defined time frame
- Require a specialized or unique skill set
- Require an external perspective



3. How do we manage Change Orders?

Planned vs. Unplanned Change Orders

Planned - changes to a contract that were anticipated as a possibility when the contract was originated.

- Exercising an Optional Term
- Increasing the Target Value of a contract

Unplanned - changes to a contract that were not anticipated when the contract was originated.

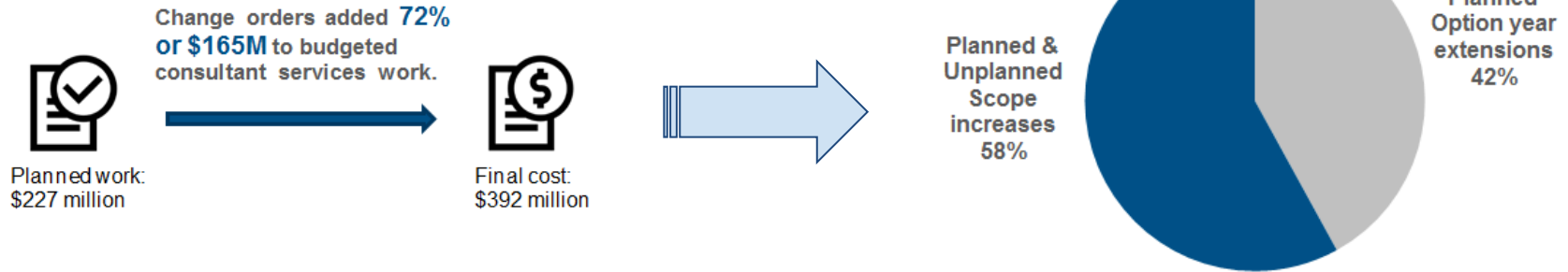
- Amending Agreement
- Contract Amendment
- Increasing the Target Value of a contract

Special - changes to a contract that must be conducted due to special circumstances arising with the contract.

- Assignment Agreement
- Contract Termination

Change Orders Usage

Change Orders is work that is added, removed, or modified from an original contract. This includes both **planned and unplanned changes** to a contract.



Importance of Change Orders



Checkpoints



The background of the slide is a composite image. The top half features a blue-tinted photograph of the Edmonton skyline, with various skyscrapers and buildings. The bottom half is a lighter, more faded image showing a cityscape with trees and buildings. The text '4. How do we code consulting services?' is overlaid on the top half in a large, white, sans-serif font.

4. How do we code consulting services?

Types of Consulting Services

Consulting & Professional Services - Cost Elements	
Audit, Actuarial, and Prop. Assessment Services	IT and Computer Personnel Services
Communications Consulting Services	Legal Services
Engineering Services	Management Consulting Services
Financial - Analyst - Investment Services	Medical & Social Services
General Professional Services	Community Planning Services

Coding Transactions

The Auditor has recommended that a number of transactions should have been coded differently

Date of Entry	Business Area	Consultant Name	Amount in SAP	Cost Element Used	OCA - Proposed Cost Element	Description of Project
31-Aug-15	Sustainable Development	Associated Engineering	\$76,564.83	441315 General Professional Services	441320 Engineering Services	Annexation of Leduc and Beaumont
23-Oct-15	Community Services	R.A. Malatest Associates Ltd.	\$27,995.03	441315 General Professional Services	441301 Management Consulting Services	Performance Measurement Survey Program
7-Apr-16	Housing & Economic Sustainability	AECOM Canada Ltd.	\$32,289.41	441315 General Professional Services	441301 Management Consulting Services	Chinatown Economic Development Plan

Professional Services Cost Element Definitions

Cost Element	Definition
441301 - Management Consulting Services	Consultants hired to conduct research and provide recommendations, advice and expertise for strategic direction setting. (e.g.: Conduct research surveys and compile results leading to recommendation for strategic direction; Where research is conducted to aid in decision making; Consultants hired for organizational review & design & business plan development.)
441302 - Communications Consulting Services	Fees for communication consultant services; Provide expertise, advice & recommendations related to communications (e.g.: development of communication plans, strategies; Design and development of communication resources such as graphic arts, publication layouts and content for print and digital media.)
441315 - General Professional Services	Professional services where staff resources are not available or do not have the required expertise; Provide expertise, advice, recommendations of a professional nature. (e.g.: Professional services that do not fit into any other category is this section.)
441320 - Engineering Services	All expenses related to general external engineering services for which a specific cost element has not been defined. (e.g.: General engineering services can include consultants for structural, mechanical, electrical, drainage, civil, or other specialized engineering services; Engineering studies, concept development, design service (preliminary, detailed), construction, post-construction, and general engineering services)

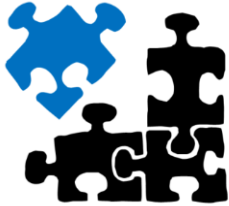
The background of the slide is a composite image. The top half features a blue-tinted photograph of the Edmonton skyline, with various skyscrapers and buildings. The bottom half is a lighter, more faded image showing a cityscape with trees and buildings. The text '5. What are we doing differently?' is centered in the upper half of the slide.

5. What are we doing differently?

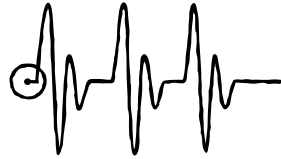
Procure to Pay Transformation:



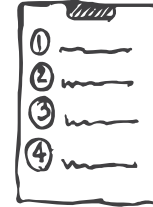
**Compliance
Control
Framework**



**Administrative
Directives and
Procedures**



**Performance
Management
Framework**



**Updated
Procurement and
Contract Templates**



**Procurement and Contract
Management
Training**

Procure to Pay Transformation - Upcoming Changes

eProcurement System (target completion in 2019)

- Modernize procurement and contract management processes
- Transform current manual processes by leveraging automated workflows for consistent delivery
- Benefit from financial savings to operation costs
- Improve spend analysis to manage contract spending
- Allow staff to focus on strategic and risk management functions

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6. How will we address the recommendations?

Auditor's Recommendations

Recommendation 1: Develop and implement a training program for staff engaged in classifying transactions and that regular quality assurance reviews are conducted.

Implementation Plan:

- Review and update the cost element descriptions
- Provide training to staff to improve awareness and accuracy of coding of financial transactions relating to all expenses, including consulting services
- Perform informal quality assurance reviews of financial reports on a regular basis as part of the financial reporting process

Target Date: June 30, 2019

Responsible party: Branch Manager, Financial Services

Actions to be taken

Recommendation 2: 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.

Implementation Plan:

- Ensure training materials are deployed that provides in-depth understanding of how to develop an improved scope of work for procurement opportunities

Target Date: June 30, 2019

Responsible party: Branch Manager, Corporate Procurement and Supply Services

The background of the slide is a composite image. The top half shows a blue-tinted skyline of Edmonton, Alberta, with various skyscrapers and buildings. The bottom half shows a light, hazy image of a river, likely the North Saskatchewan River, with trees in the foreground. The text "Thank you." is overlaid on the top half in white.

Thank you.