

Administration Response: Electrical Services Contract Management Audit

RECOMMENDATION

That the December 3, 2021, City Operations report CO00499, be received for information.

Report Purpose

Information only

A response to an audit.

Executive Summary

- In 2019, the City of Edmonton moved from a sole service model with a main contractor to an Electrical Services Agreement (ESA) with the main contractor and additional competitive Standing Agreements (SAs) with other electrical services contractors to conduct capital, operations and maintenance work for traffic signal, street lighting and LRT signaling infrastructure. This change in service model allows for open market tendering and aligns performance evaluation and expectations for all contractors, allowing for benchmarking opportunities.
- The City Auditor identified areas for improvement and provided Administration with four recommendations to improve accountability, role clarity and consistently apply contract controls.
- Administration accepts all of the recommendations. Work is underway to address the items identified. One recommendation is complete, two recommendations will be implemented by January 31, 2022, and the remaining recommendation will be completed by February 28, 2022.
- The Electrical Services Agreement (ESA) will expire March 2022 and will not be renewed.

REPORT

The City has historically had a sole service provider for constructing and maintaining the City's traffic signal, street lighting and LRT signaling infrastructure. Over time, the City's relationship with this contractor has evolved towards an increasingly formalized and performance-based

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service contract. The most recent agreements for these services that the City entered into are the Electrical Services Agreement (ESA) with the main contractor and competitive Standing Agreements (SAs) with other electrical services contractors to conduct capital, operations and maintenance work for traffic signal, street lighting and LRT signaling infrastructure. These agreements were executed in 2019.

The SAs allow for more open market tendering. The ESA aligns performance evaluation and expectations for the main contractor with similar work awarded to other contractors, allowing for benchmarking opportunities as new contractors enter Edmonton's marketplace to provide these services for the first time.

In 2021, the Office of the City Auditor completed an audit of the City's management of the electrical services contracts, focused on value-for-money and effective contract management. Administration accepts and is addressing each recommendation as outlined below.

Recommendation 1: Clearly define, document, and communicate the roles and responsibilities of each business area for management of the electrical services contracts, including who enforces the terms and conditions of the contracts and who is responsible for monitoring contractor performance.

Administration accepts this recommendation.

Administration recognizes the value of the Key Contacts Matrix in the performance management Terms and Conditions section of the ESA contract. The ESA was an improved agreement that superseded the former Transportation Systems Electrical Services Agreement (in effect January 2013 to December 2019). However, the ESA was not structured to reflect how the City currently does business.

The Traffic Operations section within the Parks and Roads Services branch is responsible for enforcing the terms and conditions and is the contract manager for the SA contracts. This role has been clearly communicated and is understood by all business areas and contractors.

A Key Contacts Matrix was created in alignment with the terms and conditions section of the ESA Contract. The auditor has now closed this recommendation.

Recommendation 2: Consistently apply processes to ensure that payments made to electrical services contractors have all the supporting documentation required in the contracts.

Administration accepts this recommendation.

Administration actively reviews all invoices and has only paid for services received.

Within the ESA and SA contract Payment Terms, "Schedule A" outlines the details a contractor is required to provide to the City, in order to receive payment for work completed. Administration will ensure that invoices for SA contractors will undergo the same rigor as the ESA contractor invoices to ensure that payments have all the required supporting documentation. Additionally, some assigned or scheduled maintenance work, in practice, does not require "Schedule A" as this work is validated through the Traffic Signals Central Management system and field inspections.

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Administration will take steps to pursue contract amendments to define maintenance work that does not require Schedule A (e.g. loop detection repair etc).

By applying a consistent invoice review process and clarifying and defining the maintenance work documentation requirements, Administration is able to consistently apply processes to ensure payments for invoices have appropriate supporting documentation. This work will be completed by February 28, 2022.

Recommendation 3: Use formalized benchmarking and ensure all contract monitoring reports are received and reviewed to compare contractor performance against the contracts and other contractors and factor the results into the assignment of work.

Administration accepts this recommendation.

Administration will formally request the ESA contractor submit outstanding metrics that are contractually required as well as develop key performance indicators (KPIs) to monitor and compare the ESA and SA contracts. KPIs will be established for the SAs. Administration will formalize a process to compare ESA and SA contractor performance and factor the results into the assignment of work, as applicable. The development of the KPIs is on track to be completed by January 31, 2022.

Prior to 2018, the City had a sole source agreement with a contractor for transportation services electrical work. The marketplace was limited for other service providers within the City of Edmonton. While many of the contractors under agreement with the City have performed this work in other jurisdictions, Edmonton was a new market with the introduction of new contractors entering Edmonton's city boundaries in 2019 through the SAs. Work to develop KPIs for the SAs was to occur after contractors had time to experience work and service levels required by the City.

Performance across all contractors is impacted by external influence including access to utility assets (i.e. EPCOR Distribution and Transmission allows only the ESA contractor to perform work on joint City/utility assets.) which impedes the ability to meet some service levels. Until access to the joint assets is fair and equitable, this will impact the ability to compare contractor service levels, including response times, against each other.

Recommendation 4: Apply formal contract controls to help enforce the terms and conditions of the electrical services contracts including:

- **Using a mitigation strategy/written notice to inform contractors of issues with performance of contractual obligations.**
- **Re-evaluating and amending key performance indicators to align with the goals of the contract.**

Administration accepts this recommendation.

Administration actively applies controls to enforce invoice-related terms and conditions through the rejection of invoices, withheld payment and corrections on any discrepancies prior to payment, and reducing annual scope of work as a direct response to contract performance.

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Administration meets regularly with contractors and participates in monthly meetings and when required, working committees (e.g. logging issues in action logs).

Administration will provide written notice when there are issues with performance of contractual obligations. This work will be completed by January 31, 2022.

COMMUNITY INSIGHT

Due to the nature of the audit and recommendations, it was determined that public engagement was not necessary.

GBA+

The scope of the audit focused on value-for-money and effective contract management, so a GBA+ analysis was not undertaken. Administration recognizes the importance of electrical services work, particularly in regards to street lighting, in order to create a safe mobility network for users of all modes.