



## Advisory Services Contract

Report of the Auditor General – June 2017

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### Why Is This Important?

- Millions of dollars in goods and services are acquired by government every year
- Department of Social Development contracted a consultant to identify cost savings and similar contracts may arise in other areas of government in the future
- Contract outcomes could impact services to vulnerable people

## What We Found

### Overall Conclusions

- The Department signed a contract in 2013 costing \$13 million containing no clear objectives
- \$47 million in savings were anticipated; however, the Department reported only \$10 million in savings by June 2016
- The consultant was paid performance fees based on anticipated savings, not actual savings
- The actual benefit of the \$13 million remains unclear

#### **Very Troubling Disregard for Procurement Practices**

- Emergency/urgent exemption was used without a competitive process for the first two phases of the project
- Department entered into the contract before Service New Brunswick approved the purchase order
- Tender was open only 12 days and all other respondents were disqualified

#### **The Department allowed the consultant to:**

- create their own agreement and use their own statement of work
- remain working in the Department during tender development, resulting in an apparent conflict of interest
- contribute significantly to tender requirements

**Overall, the consultant was highly and inappropriately favored by the Department**

#### **No Contract Management Framework**

##### **The Department:**

- Relied solely on the consultant to evaluate project quality
- Paid an extra \$1.3 million for services that should have been considered part of the contract
- Paid \$600,000 in travel expenses without receipts required by GNB policy
- Exceeded the total amount allowed on the purchase order by \$700,000

#### **Lack of Monitoring Outcomes**

##### **The Department did not:**

- Substantiate actual savings for every initiative
- Receive a management operating system as defined in the contract
- Measure impact to quality of service to clients
- Consistently plan and monitor implementation of initiatives