

The Auditor General presents the conclusions of his audit at the Ministère des Transports concerning the management of contracts presenting risk situations— Press release no. 4

Québec, Wednesday, November 18, 2009 – Mr. Renaud Lachance today made public Volume II of the *Report of the Auditor General of Québec to the National Assembly for 2009-2010*.

Chapter 4 presents the results of an audit carried out with the Ministère des Transports du Québec (MTQ) concerning the management of contracts presenting risk situations

The MTQ is the biggest work provider within the government. In 2006-2007 and 2007-2008, the Department awarded contracts, whose value totaled \$1.6 billion for each of these years and rose to \$2.7 billion in 2008-2009. The Department's contract-related activities are in part centralized, with some being carried out by its various administrative units, including those spread over Québec's territory. We carried out our work with mainly four territorial offices, namely those of Chaudière-Appalaches, Île-de-Montréal, Laval-Mille-Îles and Ouest-de-la-Montérégie. The report presents, also in a schedule, for each of these territorial offices data concerning the 10 contractors and the 10 professional service firms having obtained the greatest value of contracts for 2006-2007 and 2007-2008.

Objective of our audit

The aim of our work was to obtain the assurance that the MTQ manages, in accordance with the applicable regulation and sound management practices, certain major risks associated with the contracts that it awards. Among these risk situations, mention may be made of the awarding of contracts without calls for tenders by virtue of certain exceptions, the receipt of only one compliant tender, and significant cost overruns. We noted some 4,200 risk situations similar to the ones that attracted our attention and from among which we selected 191 contracts (263 risk situations) totaling \$209 million.

Summary of our findings

In many instances, the management of the examined contracts, from the standpoint of the risks taken into account, is unsatisfactory in relation to the rules and procedures as well as to sound management practices. The results of our audit reveal the following findings:

Awarding of contracts without calls for tenders

Emergency situation: The information obtained does not show that this type of situation was invoked solely in those cases where it was appropriate to do so. For 20 of the 23 examined contracts, the reasons were questionable for a portion or all of the work or services. For example, work to secure 170 structures was done on an emergency basis. Yet for 67 percent of these structures, the work began from 2 to 6 months after the start of that carried out on the first structures. In our opinion, this shows that the notion of emergency was not applicable to all of the structures. Another territorial office had

prepared a specifications booklet and had held an invitation to tender for work of a similar nature during the same period.

Receipt of only one compliant tender: For 17 of the 32 audited files, where only one compliant tender was received, other suppliers had obtained the tender documents without, however, having submitted a bid. The Department did not contact these potential tenderers to find out the precise reasons why they had not submitted a bid.

Estimate and contract: For 23 analyzed files where the amount of the bid exceeds by more than 10 percent the amount estimated by the Department, the explanations provided to the Department's authorities are at times detailed (14), at times very brief (6), and at times non-existent (3). As for the required approval, the treatment of these 23 files was not uniform. Whereas some authorizations (7 files) dealt with the variance between the estimated amount and the bid, several (11 files) had been obtained for another reason, including 9 due to the receipt of only one compliant tender, without an explanation of the variance.

Cost overruns

- For 13 of the 29 examined files in which there was unforeseen work, although it is difficult to rule whether the elements having resulted in the changes were foreseeable, the scope of the overruns was such that there is reason to wonder. For example, a \$1.1 million overrun on a \$11.4 million contract was due in large part to the following reasons: incomplete site surveys and design errors;
- For 13 audited files that required the authorization of the deputy minister following contract amendments, this authorization was obtained.

Comparison with other organizations and analysis capacity

- The Department does not make analyses to help it reveal potentially problematic situations, notably regarding market conditions or the cost estimate practices of its suppliers.
The Department does not make a comparative analysis of the costs between the regions of Québec, with other administrations, or over a period of time.
- The Department must make sure that its staff has the necessary information and the required expertise, notably to detect potential problematic situations regarding market conditions. In this respect, the Department did not establish, in a structured manner, collaboration with organizations such as the Ministère de la Sécurité publique, the Sûreté du Québec or the Competition Bureau with a view to increasing the likelihood of detecting these situations.

In 2004, the Department made an investigation to check the integrity of a call for tenders. The investigation report concludes that an attempt was clearly made to eliminate competition for this call for tenders. Despite this conclusion, the Department did not contact the Ministère de la Sécurité publique, the Sûreté du Québec, or the Competition Bureau. It was only in 2006 that the Competition Bureau received, in response to a request that it made, the investigation report from the Department following a denunciation.

Conclusion

Due to the scope of the sums involved and the risks associated with the awarding of numerous contracts, the Department must show more initiative to tighten its procedures, have accurate information and improve its analysis capacity in order to ensure a sound management of public funds.

The Highlights are available on the web site of the Auditor General of Québec at the following address: <http://www.vgq.qc.ca> (English home page). The full report and the presentation given to parliamentarians are available under the “Rapports” heading of the “Publications” section.

Source: Raymonde Côté-Tremblay
Office of the Auditor General
Tel.: 418 691-5926