



KPMG AUDIT COVERS COURTS THAT WERE NEVER BUILT

Tennis Courts RFP Costs \$238,000

Salt Spring Island is one of the southern Gulf Islands between the mainland and Vancouver Island, in British Columbia. An unincorporated rural electoral area, Salt Spring is under the jurisdiction of the Capital Regional District (CRD). In 2005, the Salt Spring Island Parks and Recreation Commission (PARC), embarked on the construction of a tennis facility on the island. Via their local association, island tennis players contributed \$140,000 toward the sizeable project costs.

A Tennis Facility Committee, consisting of two PARC members, was struck to oversee planning and procurement. The initial project budget was estimated at \$600,000.

The PARC issued a Request for Proposals (RFP), evaluated the proposals received, and made a selection recommendation. The PARC also obtained the requisite approval from the CRD. A contract was signed with the successful proponent, Cover-All Pacific, in November 2005. The vendor proceeded with the manufacture of the custom-designed tennis structure and delivered it to the PARC, in accordance with the contract.

Land-use zoning issues at the chosen site had been identified in early 2006, so the PARC then relocated the project to another site. However, the project costs at the second location rose to an estimated \$947,000. That's when the PARC decided to pull the plug on the project. The custom-designed tennis structure was sold at a significantly discounted price. And because the project was cancelled, the PARC was forced to return the \$140,000 that had been provided by the local tennis association.

Faced with disgruntled tennis players, a complaint to the B.C. Ombudsman and a citizen's action in B.C. Supreme Court, the CRD engaged KPMG to conduct an audit of the procurement. That report was released in August 2007.

While the audit report exonerated the PARC staff and Commission members from any fraud or conflicts of interest, it revealed a weak planning process, a flawed risk-management analysis, and an unfair RFP process.

What happened?

Following the Audit Trail

The KPMG audit of the Salt Spring Island tennis facility project looked at:

- procurement policy,
- planning and risk management,
- the RFP process, and
- public complaints and commission oversight.

Serious flaws and inappropriate practices were identified in each of these critical areas:

1. No formally documented policies were applicable to the procurement of the tennis facility: While the development, maintenance and enforcement of policies and procedures were delegated by the CRD to the Commission, no PARC-specific policies had been developed for procurement.

2. There were multiple deficiencies in the risk management/planning process which contributed to the disappointing project outcomes:

- Public consultation: Several complaints were received from Island residents regarding the inadequacy of the public consultation. Mr. Michael Best, who complained to the provincial Ombudsman, and filed a court action, stated to a local newspaper that, *“There was supposed to be a proper referendum. They’re not ever supposed to make this kind of capital expenditure – a commitment of capital dollars from taxpayers – without public support.”*
- Project cost estimates: Actual cost estimates far exceeded original projections. In a 10-month period from August 2005 to June 2006, the estimated project costs rose from \$600,145 to \$987,530.
- Consultation with experts: No effort was made to consult experts in the area of tennis-court or bubble construction.
- Potential suppliers: Research to identify potential suppliers was limited to an Internet search, and did not identify additional potential vendors in North America. The research conducted did not identify alternative structures which may have been better able to satisfy the cost and construction timeline criteria.
- Health and engineering standards: Cost implications of potential health issues identified with the selected tennis structure (such as mold and condensation) were not incorporated into the project budget. The complexities of meeting the required engineering standards were not fully investigated.
- Zoning and land-use restrictions: Both the identified locations (the Portlock Road and Rainbow Road sites) had zoning restrictions that were not investigated during planning. Zoning issues proved to be critical with respect to the project outcomes.

3. The procurement process was not consistent with the guidance provided by the CRD “Proposal Guide” (section numbers refer to the CRD guide):

- 1.2.6 Fair Dealing: The RFP was written in a way that did not provide equal opportunity to each potential bidder. The RFP outlined specific technical requirements and referred to a particular vendor’s product, rather than asking for proposals to fulfill the PARC’s functional need for a tennis-court cover.
- 1.2.8 Skills and Knowledge: The PARC manager did not recognize that his skill set was insufficient to undertake a project of this nature.
- 1.3 Communications: The PARC manager did not provide the Tennis Facility Committee or Commission with sufficient information on the procurement process and related complaints received to support a fully informed decision to proceed with

- approving the Cover-All Pacific bid.
- 2.2 Identifying Contractors: Sufficient activities were not undertaken to identify more than one vendor. The RFP was not sufficiently advertised in appropriate markets to ensure that multiple competitive bids were received.
- 2.3 Providing Sufficient Time for Responses: The two-week timeframe provided for vendor responses was not sufficient.
- 2.3 and 2.4 Preparing and Issuing an RFQ: Although time was a factor in the issuance of an RFP, the value of issuing a Request for Qualifications (RFQ), Request for Information (RFI), or Request for Expressions of Interest (RFEOI) for a project of this nature was not fully considered. Such a process could have resulted in obtaining vendor cost estimates and identifying key project considerations.
- 2.5 Use of Consultants in the Planning Process: It was not recognized that the input of a subject-matter expert was required in a project of this nature.
- 3.2 and 4.1 Preparing and Issuing an RFP: The RFP specified the requirement as a Cover-All proprietary product, which was exclusionary. The alternative was to define the functional requirements for the project and give vendors the opportunity to propose appropriate solutions.
- 4.5 Keeping a Record of the Process: Sufficient records documenting the process were not kept.
- 5.2 Evaluating Proposals: The Proposal Review Committee was struck the day before the proposals were reviewed and was not involved in the development of the evaluation criteria in the RFP.
- 5.3 Checking References: Reference checks for Cover-All Pacific were not performed.

4. Handling of Complaints and Oversight Role of Commission:

- Handling of Complaints: Multiple complaints about the procurement process were received from potential suppliers and community members, but these complaints were not fully investigated by the PARC, and no changes were made to the RFP procurement process.
- Oversight Role: The Parks and Recreation Commission did not appear to understand its oversight role of the PARC manager position. In addition, the Commission appeared to be involved in directing the PARC manager in day-to-day management of the PARC activities rather than acting in a policy enforcement/advisory role.

Audit Recommendations

The KPMG audit report included eight recommendations to reduce the potential for similar procurement problems in the future. The final recommendation suggested that, “The PARC manager undertake training on procurement processes and RFP development.”

Full report: The “Capital Regional District ‘Salt Spring Island Tennis Facility Project Review’ KPMG Audit Report” dated August 22, 2007 was prepared by Gordon S. Gunn, Associate Partner, Advisory Services (ggunn@kmpg.ca).

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