



B.C. AUDITOR GENERAL EXAMINES 10 JSP PROJECTS WORTH \$1.6 BILLION

An Audit of Joint Solution Procurement

According to the Auditor General (AG) of British Columbia's first audit report on Joint Solution Procurement (JSP) in the B.C. government, JSP is working.

JSP is a multi-stage, collaborative Request for Proposals (RFP) approach designed to help address complex business problems that require highly customized solutions from the private sector. The solutions are typically large-scale and involve some form of business transformation (e.g., transferring staff or assets). The B.C. government uses the JSP approach as one of its Alternative Service Delivery (ASD) processes for outsourcing services.

At the time of the AG's report, in April 2008, the province had signed 10 JSP projects worth \$1.6 billion. These 10 projects have total projected benefits of \$550 million expected over, typically, 10-year periods. The projects include, among others, administering the premiums for the provincial medical and pharmacy plans, managing public-service payroll operations, collecting tax revenues and providing high-speed internet connections. The province's major JSP partner companies are Maximus, Telus, EDS, IBM and IBM Canada, Fujitsu, and Sun Microsystems.

The Audit

The 2008 audit examined two things. First, it looked at whether the JSP process incorporates generally accepted principles of good practice for outsourcing large services. Second, it looked at one of the first completed projects – the outsourcing of revenue management services in 2003 – to determine whether those principles were followed in practice.

The Project

In 1999, the Auditor General conducted an audit of the province's overdue accounts receivable. It found that in a two-year period, the amount of overdue accounts had increased by \$221 million. In June 2001, the Ministry of Provincial Revenue was established as a hub for administrating and collecting much of the province's revenue. But by late 2002, overdue accounts (i.e., 90 days+) had reached \$650 million.

The ministry made a submission to Treasury Board, asking for a new, in-house revenue management system (at a capital cost of \$25 million). The submission dismissed

outsourcing as a solution because of the lack of performance baseline information. Treasury Board did not approve the request.

When Cabinet approved a new ASD strategic plan early in 2003, it identified revenue management as a short-term opportunity, and a revised Treasury Board submission was approved on the basis of a JSP solution. Overdue accounts were then \$717 million. A JSP RFP was issued in June 2003. Key goals were to maximize revenue collection for the province, minimize the cost per dollar collected, enable effective reporting and performance measurement, and set performance benchmarks.

The RFP document also defined the business issues to be addressed, including inaccurate records, limited payment options, poor policies and procedures, fragmented administration, old IT systems, and disincentives for ministries to improve collections.

Five vendors were selected to proceed to the Phase 1 evaluation. Then two vendors were selected to work through a three-month Joint Solution Definition phase in late 2003. Following an evaluation of the two final solutions by a panel of senior government representatives, EDS Canada was selected to proceed to the final due diligence and contract negotiation phases in January 2004. Finally, an agreement was signed with the EDS Canada subsidiary, EDS Advanced Solutions, on November 26, 2004.

From the initial submission to Treasury Board to the signing of the contract took 17 months.

Several significant issues arose during the first two years of the EDS contract, so a contract “refresh” (a form of contract amendment) was signed on December 7, 2006. As part of that, the contract period was extended from 10 years to 12.

In the first three years of the agreement, the province was on track to realize the \$517 million in benefits over 12 years from increased remittances and collections on overdue accounts receivable. EDS also continued to achieve or exceed customer-service targets.

The Audit Results

The AG’s audit found that JSP in the B.C. government “substantially met the principles of good practice identified.” The audit also identified some areas where improvements could be made, and made several recommendations.

Among the AG’s key findings:

- Strong guidance and support is being provided in the government for JSP in: (1) establishing the need for procurement, (2) planning the procurement, (3) providing a competitive, multi-stage process, (4) conducting the tender, (5) evaluating tenders, (6) exercising due diligence, (7) conducting post-tender negotiations, (8) agreeing and approving the preferred tenderer, and (9) awarding the contract.
- In the revenue management project, the province “substantially achieved” (1) and (2) above, and “fully achieved” (3) through (9).

- The province is clearly focused on refining the JSP process through “lessons learned” and continuous improvement.
- The process could be at risk as it relies on a small number of experts – some of them external.
- Lessons from the revenue management project point to the need to commit sufficient staff resources to all JSP projects, from initiating the process to managing the contract.

Drawn from “An Audit of Joint Solution Procurement and the Revenue Management Project,” 2008/2009 Report 1, Office of the Auditor General of British Columbia, April 2008. See: www.bcauditor.com

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