

Evaluation Process for the Shared Systems Suite

Office of Government Information Technology

Performance Audit

Tabled 21 November 1996

Audit Report No. 14 1996-97

Abbreviations

ANAO	Australian National Audit Office
CGIO	Chief Government Information Officer
FMIS	Financial Management Information System
HRMS	Human Resource Management System
NPV	Net Present Value
OGIT	Office of Government Information Technology
RFP	Request for Proposal
RMS	Records Management System
SSAG	Shared Systems Advisory Group
SSEMG	Shared Systems Evaluation Management Group
SSSC	Shared Systems Steering Committee

Summary

Background

1. In November 1995 the Government approved a strategy of reduction in the number of administrative systems used by Commonwealth agencies. The strategy is managed by the

Office of Government Information Technology (OGIT) and systems selected will be available to agencies on a Shared Systems Suite.

2. Following an initial selection through a process of inviting expressions of interest, OGIT issued a restricted Request for Proposal (RFP) for Human Resource Management Systems (HRMS) and Financial Management Information Systems (FMIS), which closed on 28 June 1996.

3. OGIT sought the services of the Australian National Audit Office (ANAO) to provide an opinion on the probity of the process for the evaluation of responses to the RFP. The ANAO welcomed the opportunity to participate in this important initiative and agreed to undertake an audit of the procedures employed during the course of the evaluation process. The audit was conducted as a performance audit under section 54 of the Audit Act.

4. Following acceptance of the audit, the ANAO undertook a continual audit of the evaluation process. During the course of the audit, advice was provided both orally and in writing and any concerns raised were notified to OGIT, which took prompt remedial action.

5. On 10 October 1996 the Minister for Finance announced the final list of selected solutions as:

Company	Product	Component
Compuware Asia Pacific	Aurion Open	HRM
Wizard Information Services	Finance One	FMIS
Computer Associates	Masterpiece/2000	FMIS
Mincom	MIMS	HRM
Oracle Systems	Oracle Financials	FMIS
Quality Software Products	Universal OLAS	FMIS
PeopleSoft	PeopleSoft	HRM
Systems Union	Sun Systems	FMIS
SAP Australia	SAP R/3	FMIS
		HRM

Scope of the audit

6. The ANAO agreed to provide an opinion on the probity of the methodology and procedures applied in the process of evaluation of tenders for acceptance to the Shared Systems Suite. The ANAO also agreed to review the formal procedures developed by OGIT and to test their operation to enable the ANAO to form an opinion, with a reasonable degree of assurance, on whether the evaluation process accords with the Commonwealth Purchasing Guidelines for open and effective competition and consideration for the development of Australian and New Zealand industry.

7. The audit did not undertake any assessment of the technical information in the tenders

and did not attempt to ascertain whether OGIT's evaluation identified the most appropriate system solutions for Commonwealth requirements. However, in examining the process, the ANAO set out to form an opinion as to whether the evaluation process would give a high degree of confidence that the process would select appropriate systems.

8. The audit was conducted in conformance with ANAO Auditing Standards and cost \$87000, of which \$55000 was recovered in fees from OGIT.

Audit findings and conclusion

9. The ANAO is of the opinion that:

- the evaluation procedures adopted by OGIT properly reflected Commonwealth Purchasing Guidelines for open and effective competition and the process conformed with those guidelines;
- the selected solutions accord with government policies on Australian and New Zealand industry development and affirmative action;
- the evaluation process has been conducted ethically and fairly;
- appropriate records have been maintained;
- decisions have been adequately documented; and
- the evaluation process gave a high degree of confidence that appropriate systems have been selected.

10. The evaluation methodology and procedures are considered sound and have been effectively applied by the evaluation team. Minor procedural breakdowns and other observed shortcomings were investigated and raised with OGIT, which took prompt remedial action wherever necessary. The ANAO considers that the resultant effect posed negligible risk to the probity of the process.

Agency response

11. OGIT accepted the report.

1. Background

This chapter provides the background to the process for selection of suppliers for the Shared Systems Suite. The audit objectives and methodology are also discussed.

The Shared Systems Suite

1.1 The 1995 Clients First ¹ review of IT across the Commonwealth recommended a reduction in the number of administrative systems across agencies. Later that year, the Government endorsed a strategy to rationalise the number of Human Resource Management Systems (HRMS), Financial Management Information Systems (FMIS) and Records Management Systems (RMS). This strategy would also achieve better interconnectivity of Management Information Systems across Commonwealth agencies. ² The strategy is managed by OGIT and overseen by the Shared Systems Steering Committee (SSSC) which is chaired by the Chief Government Information Officer (CGIO). All Budget-funded agencies will be expected to select from the suite when they next replace or undertake major enhancements to existing systems. Any exceptions to this

may be authorised only by the CGIO.

1.2 The FMIS and HRMS suppliers, announced on 10 October 1996, are available for agencies to take up their products from the end of November 1996, following contract negotiations and the signing of contracts. The process of evaluation of proposals in response to the RFP for the RMS is expected to be completed in June 1997.

The audit

1.3 The audit commenced shortly after the closing date for submission of FMIS and HRMS proposals on 28 June 1996 and continued in parallel with the work of the evaluation team until the final decision on the recommended solutions to the Minister for Finance. The ANAO provided ongoing advice to the Shared Systems Evaluation Management Group (SSEMG) during the audit as the occasion demanded.

1.4 The objective of the audit was to assist OGIT in the timely identification and rectification of any deficiencies in the evaluation process and to provide assurance to the Parliament, the Executive Government and other interested parties on the probity of the evaluation process and adherence to legislative and other specified requirements.

Audit methodology

1.5 As part of the audit, criteria were determined to consider the adequacy of the methodology and procedures developed by OGIT before commencement of the evaluation and whether the evaluation team adhered to those procedures. Appendixes 1 and 2 give an overview of the evaluation model and process flow. The ANAO also considered whether the process was conducted ethically and fairly and considered the potential for bias and conflict of interest.

1.6 In conducting the audit the ANAO:

- examined related files and records held by OGIT and the evaluation teams;
- examined the evaluation methodology and procedures;
- observed the opening of the late responses to the RFP and the decision process concerning their inclusion in or exclusion from the evaluation process as provided for in the RFP;
- observed the operation of the evaluation teams in scoring the responses and examined a selection of scoring sheets;
- observed the conduct of the evaluation teams on visits to sites operating the systems under evaluation;
- observed the conduct of meetings between OGIT, the evaluation teams and respondents to the RFP;
- considered the transparency and fairness of the process;
- considered the commitment of the process to Australian and New Zealand industry development and affirmative action; and
- examined the interim and final reports on the evaluation and the risk analysis.

1.7 The audit did not undertake any assessment of the technical information in the tenders and did not attempt to ascertain whether the evaluation process identified the most appropriate system solutions for Commonwealth requirements. However, in examining the process, the ANAO set out to form an opinion as to whether the evaluation process would give a high degree of confidence that the process would select appropriate systems.

1.8 During the course of the audit the ANAO attended meetings of the SSSC and the SSEMG and provided progress reports to both.

1.9 Oral reports on matters which the ANAO considered required attention were given to OGIT and later confirmed in writing. OGIT took prompt remedial action on all such issues and provided copies of the ANAO written reports to the SSEMG.

2. Processes Examined during the Audit

This chapter provides a brief description of the processes examined by the ANAO during the course of the audit. The conclusion reached for each process is also given.

Overall conclusion

2.1 Overall the ANAO found the evaluation process to be fair and equitable. Government policies were properly addressed, appropriate documentation was maintained and the process gave a high degree of confidence that appropriate systems have been selected.

Methodology and procedures

2.2 The ANAO examined the procedures and methodology developed by OGIT to conduct the evaluation and considered them a strong foundation for the process. They were enhanced to meet particular difficulties as they arose and to implement ANAO recommendations and were applied effectively in practice.

Conflict of interest

2.3 An area in which the procedures had been deficient was the absence of any provision to identify or manage possible conflicts of interests of those officers connected with the evaluation. During the audit, the ANAO recommended that all persons concerned with the evaluation, and on the various committees concerned with the selection process, be requested to declare any actual or potential conflict of interest between their duties in the selection of the Shared Systems Suite and their personal interests. The process for obtaining declarations of conflict of interest occurred later in the evaluation than desirable. Some potential conflicts of interest were identified through this process and were managed appropriately. The ANAO examined the implications of the potential breaches and found no evidence of improper conduct.

Conclusion

2.4 Although the action taken to identify conflicts of interest could have been more timely, the ANAO considers the evaluation methodology and procedures and their application provided satisfactory controls for the probity and operation of the evaluation process.

Late responses

2.5 The RFP made provision for OGIT to accept for evaluation responses received after the closing time and set out certain grounds which would be relevant to that decision.

2.6 A number of packages which could have been proposals were deposited in the tender box or received across the counter after the closing time for receipt of proposals.

Following examination, three of these packages were deemed to be late proposals. Other packages were:

- clarification material for valid proposals (accepted),
- a duplicate of a valid proposal (returned unopened);
- comments on the proposed contract (accepted); and
- unrelated to the RFP process.

2.7 Following legal advice, and in accordance with the procedures stated in the RFP, OGIT accepted the three proposals for inclusion within the evaluation process. The ANAO noted that the definition of closing time for the receipt of tenders was unclear and recommended its clarification in future tender situations.

2.8 Following the decision to accept the responses to the evaluation process, the ANAO observed the opening of the proposals and the recording of the contents. Whilst the late responses were recorded satisfactorily, the ANAO noted that some deficiencies in earlier responses had not been recorded at opening. The ANAO recommended that all deficiencies be recorded at the time of opening.

2.9 The check for completion of the proposals for inclusion of all material nominated in the RFP was relatively cursory and, as a result, some deficiencies were revealed later in the evaluation process and caused difficulties and delay for the evaluation. The ANAO recommends that some additional time spent on a careful check for completeness at the opening of proposals or tenders would prevent delays, save additional costs and provide additional protection for the probity of the process.

Conclusion

2.10 The ANAO considers that the procedures followed for the acceptance of late proposals were in keeping with the Commonwealth's objective of fair and open competition and that all respondents were treated equitably.

Evaluation of responses

2.11 The ANAO observed the operation of the teams evaluating the responses against the requirements of the RFP and examined samples of the working papers used to record progressively the results of the evaluation. The ANAO noted that the evaluation methodology and procedures were followed closely. Where minor discrepancies were noted, these were brought to the attention of the team leaders and were corrected promptly.

2.12 The ANAO observed that the quality assurance and document tracking procedures in use provided adequate control over the accuracy of the results and the security of the documents.

2.13 The evaluation teams were located in premises away from OGIT. Although the security of the location was acceptable, the presence in the same room of members from another agency conducting an evaluation of a different tender detracted from the total security of the environment. Documents within the room were held securely and the security of the computer network used to store the results of the evaluation was satisfactory.

Conclusion

2.14 The ANAO observed no appreciable deficiencies in the evaluation process which detracted in any material way from the probity of the process.

Site visits

2.15 The RFP required suppliers to nominate customer sites where the operation of systems they were proposing could be reviewed. The evaluation teams were to visit such sites to confirm that features declared in responses to the RFP were in operation and to determine the extent of vendor support in those sites. Following evaluation of proposals, which eliminated some suppliers from further consideration, the sites to be visited in respect of the remaining suppliers' proposed systems were selected. The ANAO attended several site visits as an observer.

2.16 Site personnel were provided with a list of questions before the visit (with some minor exceptions due to error). The visiting team sought answers to questions directly related to the RFP. Sites, as far as can be judged, made appropriate persons available and answered questions fairly and objectively.

Conclusion

2.17 The ANAO considers that the site visits were conducted satisfactorily and elicited sufficient objective evidence to support or disprove the responses provided in the proposals and the resultant judgments of the evaluation teams.

Contact with suppliers

2.18 During the evaluation process two formal meetings were held with each of the individual suppliers and one meeting to which all suppliers were invited. The ANAO found no evidence of informal meetings with suppliers. All phone contact with suppliers was directed through OGIT, with the evaluation teams directed not to contact suppliers. A minor exception to this rule, approved by OGIT, was the seeking of information regarding site visits. OGIT and the evaluation team recorded vendor contacts and those records were examined by the ANAO.

2.19 The group meeting with suppliers was used to brief them on the current status and future timing of the project. The first of the formal meetings was intended as preparation for the more formal presentation of each proposal to the evaluation teams by the supplier. It was a bilateral meeting between the supplier and a small team which included the OGIT officer managing the evaluation, a consultant assisting OGIT, a financial consultant to OGIT and the OGIT legal consultant from the Attorney-General's Department. It was made clear to suppliers that there would be no negotiations during the meeting. At each meeting OGIT:

- advised the supplier of what was required from the presentation (suppliers should

address strategic issues);

- sought advice of any problems the supplier had with contractual or other matters; and
- provided a pro forma document to be completed by the supplier which sought further financial information about the proposal.

2.20 The ANAO attended several bilateral meetings as an observer.

2.21 The second of the formal meetings, described as vendor presentations, provided the supplier with an opportunity to present its views and the evaluation teams with an opportunity to seek answers to outstanding queries.

2.22 The ANAO also attended several vendor presentations and noted that OGIT made a particular effort to ensure that all suppliers were treated equitably and were given equal opportunity to present their views.

Conclusion

2.23 The ANAO considers that suppliers were treated equitably, ethically and fairly and were provided with appropriate opportunities to represent their product and their views. The ANAO also considers that the meetings added valuable support to the effectiveness of the evaluation process and to the openness and fairness of the competition.

Open and effective competition

2.24 The scope of the audit did not extend to the ANAO examining the original selection of suppliers to respond to the RFP. Therefore the ANAO is not in a position to comment on that selection process. However, the selection of nineteen suppliers to respond to the RFP indicates that competition was not unduly restricted.

2.25 The ANAO observed that all suppliers were kept adequately informed of the progress of the evaluation and the evaluation maintained the originally proposed timetable.

Conclusion

2.26 The ANAO considers that the process adhered to the Government's requirement for open and effective competition.

Australian Government policies

2.27 Before shortlisting products, OGIT sought comment from Commonwealth agencies with responsibility for administering relevant Government policies to ensure that suppliers of those products were meeting appropriate Government policies. During the evaluation, several of the suppliers were still to obtain endorsed supplier status. The ANAO observed that suppliers were advised of their endorsed supplier status and were advised that failure to obtain endorsed supplier status (which includes Australian and New Zealand industry development policies) would exclude them from the contract. In the event, all suppliers complied with the requirements of the Departments of Administrative Services and Industry, Technology and Tourism and obtained endorsed supplier status.

2.28 The ANAO observed that OGIT sought assurance from the appropriate

Commonwealth authority that suppliers were not in breach of the Government's affirmative action policies.

Conclusion

2.29 The ANAO considers that the evaluation process ensured adherence to appropriate Government policies.

Evaluation report and risk analysis

2.30 At the conclusion of the initial evaluation process and preliminary risk analysis, a report was produced detailing the rationale behind the selection of those systems preferred for further evaluation. At the conclusion of the process a final report was signed by the chair of the SSEMG and agreed by the CGIO as chair of the SSSC.

2.31 The ANAO examined both reports.

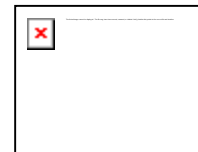
2.32 The Minister for Finance accepted OGIT's recommendations resulting from the final report and announced the list of selected solutions on 10 October 1996.

Conclusion

2.33 The ANAO considers both reports provided a satisfactory rationale for the selection of the preferred systems with relevant support for recommended actions and accurately reflected the evaluation process and risk analysis.

Other issues

2.34 During the course of the audit the ANAO noted deficiencies in security at the OGIT accommodation at Old Parliament House. OGIT was advised of the need to seek expert assistance in addressing the deficiencies.



Canberra ACT
20 November 1996

P. J. Barrett
Auditor-General

1

Clients First: The Report of the Minister for Finance's Information Technology Review Group, March 1995.

2

Source: OGIT Internet page.

Appendix 1 - Evaluation model ¹

	<p>Shared Systems Steering Committee</p> <ul style="list-style-type: none"> • Endorse shortlist • Endorse final report
--	---

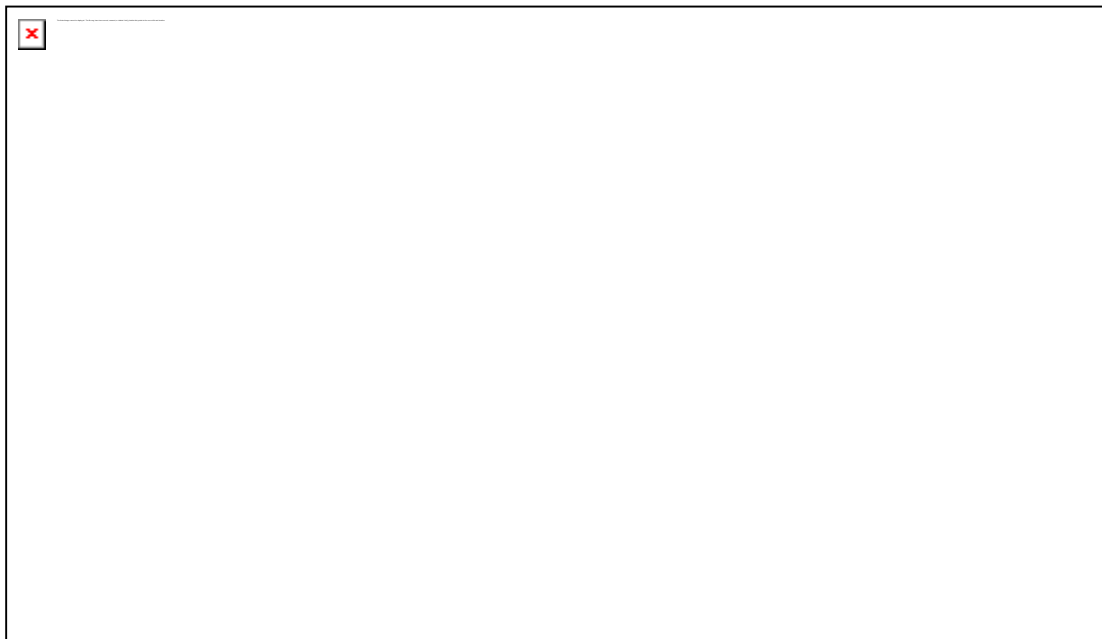
	<p>HRM Advisory Group</p> <ul style="list-style-type: none"> • Endorse shortlist • Endorse final report 		<p>FMIS Advisory Group</p> <ul style="list-style-type: none"> • Endorse shortlist • Endorse final report

		Shared Systems Evaluation Management Group	
		A/S BPR Branch - OGIT	Chair FMIS Advisory Group
		Chair RM Advisory Group	Chair HRM Advisory Group
		FMIS Team Leader	HRM Team Leader
		DIST	DAS
<p>ANAO</p> <ul style="list-style-type: none"> • Audit of process • Probity <p>Legal forum</p> <ul style="list-style-type: none"> • Advice <p>Consultants</p> <ul style="list-style-type: none"> • Advice 		<ul style="list-style-type: none"> • Receive shortlist recommendations from teams • Develop overall shortlist • Shortlist report • Reference sites & vendor presentations • Receive & evaluate team reports • Risk assessment <ul style="list-style-type: none"> • Australian industry development • Platform coverage • Scalability • Integrated solutions • Contractual issues • Overall assessment & ranking • Determine size of suite (number of solutions) • Recommendations & report • Debrief suppliers 	

Generic Evaluation	HRMS Functional Evaluation	FMIS Functional Evaluation	Financial Evaluation	Australian Industry Development
• initial	• initial scoring	• initial scoring	• develop	• scoring

<p>scoring against criteria</p> <ul style="list-style-type: none"> • recommend shortlist • reference sites • vendor presentations • second iteration scoring • report on individual assessments, scoring & ranking <p>Contractual Review</p> <ul style="list-style-type: none"> • terms & conditions • supplier comments 	<p>of functional evaluation criteria</p> <ul style="list-style-type: none"> • recommend shortlist based on functional evaluation criteria • Reference sites • vendor presentations • second iteration scoring • report on individual assessments, scoring & ranking 	<p>of functional evaluation criteria</p> <ul style="list-style-type: none"> • recommend shortlist based on functional evaluation criteria • Reference sites • vendor presentations • second iteration scoring • report on individual assessments, scoring & ranking 	<p>costing models</p> <ul style="list-style-type: none"> • populate models • analysis, life cycle costing, NPV • comparative analysis • report & ranking <p>Affirmative Action</p> <ul style="list-style-type: none"> • establish status of suppliers as per section 1.6.3 of the RFP 	<ul style="list-style-type: none"> • shortlist recommendations • endorsed supplier status • report & ranking <p>Risk Assessment</p> <ul style="list-style-type: none"> • platform coverage • scalability • conformance with business model • Australian industry development • integration • integrated solution
--	--	--	---	--

Appendix 2 - Flow of the Evaluation Process ²



Appendix 3 - Performance Audits in the Finance Portfolio

Set out below are the titles of the reports of the main performance audits by the ANAO in the Finance Portfolio tabled in the Parliament in the past three years.

Audit Report No.21 1993-94
*Australian Government Credit Card
- its debits and credits*

Audit Report No.22 1993-94
*Cash Management in Commonwealth
Government Departments*

Audit Report No.32 1993-94
Accrual Reporting: Are Agencies Ready?

Audit Report No.41 1993-94
*The Australian Government Credit Card
- Some Aspects of its Use*

Audit Report No.10 1994-95
*Cash Management in Commonwealth
Government Departments*

Audit Report No.11 1994-95
ANL - Valuation Issues

Audit Report No.2 1995-96
*Matters Relating to the Proposed Sale
of ANL Ltd.*

Audit Report No.10 1995-96
*Sale of the Moomba to Sydney
Gas Pipeline*

Audit Report No.14 1995-96
*The Sale of CSL:
Commonwealth Blood Product
Funding and Regulation*

Audit Report No.6 1996-97
*Commonwealth Guarantees, Indemnities
and Letters of Comfort*

Source: OGIT.
